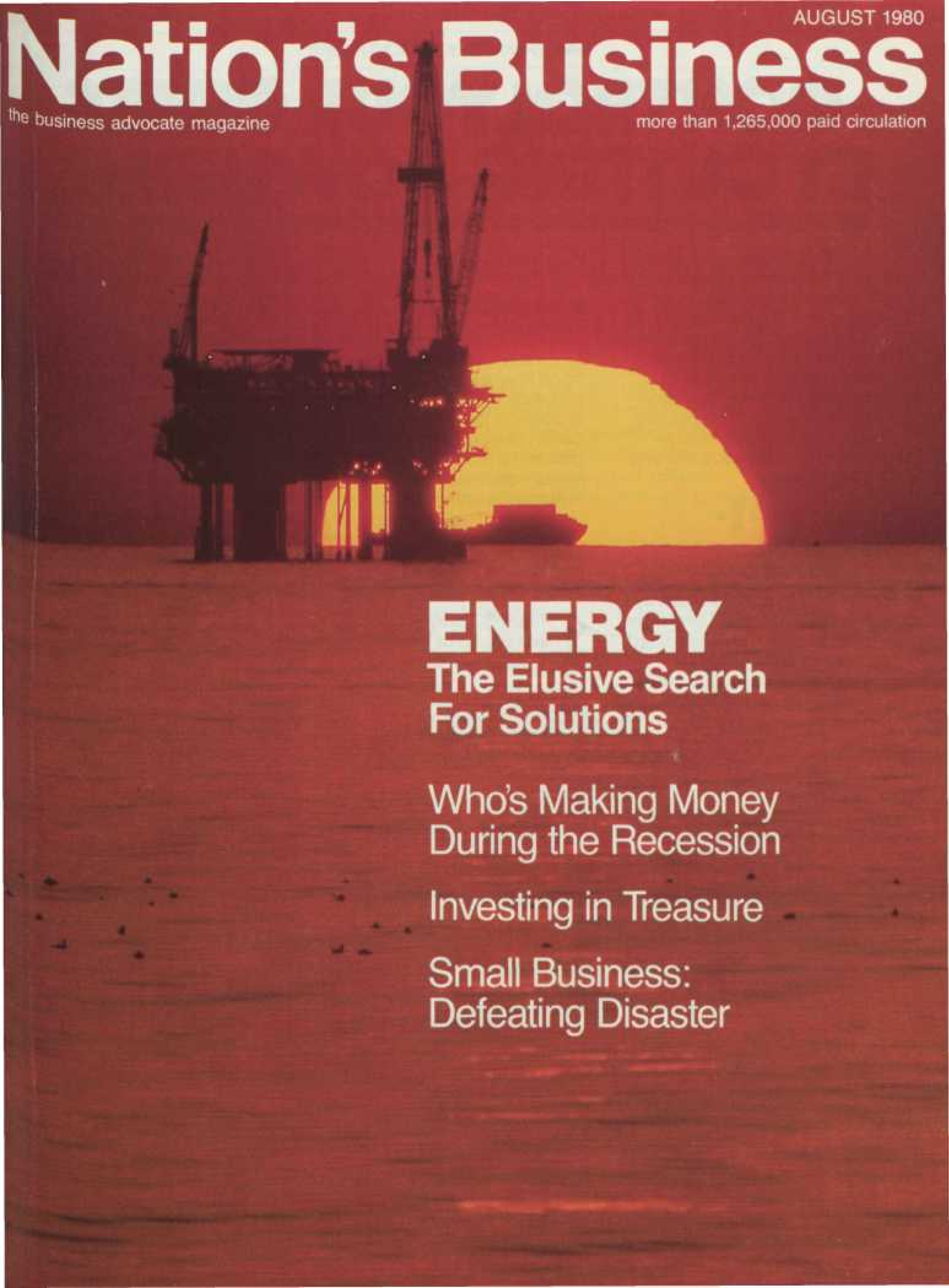
AUGUST 1980

Nation's Business

the business advocate magazine

more than 1,265,000 paid circulation



ENERGY
The Elusive Search For Solutions

Who's Making Money During the Recession

Investing in Treasure

Small Business: Defeating Disaster

CONTROL YOUR COSTS BY CUTTING DOWNTIME.

It's a simple fact: The less your truck sees of the shop, the better. And that is where GMC Truck and Coach, a division of General Motors, can help you. You see, GMC has devoted considerable attention to helping you keep downtime down. Here, for example, are just a few of the downtime-saving features you'll find in a GMC General.

•1•

ALL SWITCHES AND GAGES POP OUT.

Electrical maintenance in the GMC General is very easy, thanks to these self-contained units that can be quickly removed and replaced from the front of the instrument panel.

•2•

FIBERGLASS HOOD TILTS OFF.

The GMC General has a tilt-off fiberglass hood for easy, one-man access to the engine. In addition, the hood is constructed in four major pieces. So, if one part needs repair work, you won't have to replace the entire hood.

•3•

AIR BRAKE LINES ARE COLOR-CODED.

The GMC General features an air brake system which is color- and size-coded for quick, convenient identification and replacement. All electrical wiring is also color-coded. Plus, the General's air-line fittings are reusable, which helps cut your service costs even more. What's more, GMC now offers a newly designed air conditioner that operates only when needed to help reduce wear and tear on the unit. And, with fewer moving parts to replace, it's easy to service, too.

•4•

DELCO FREEDOM BATTERY IS MAINTENANCE-FREE.

Of course, the best way to cut downtime is to avoid it. And that's why the Delco Freedom Battery is standard on the GMC General. It doesn't require any routine maintenance. So, for these and other downtime-saving features from GMC, talk to your nearest GMC dealer. And ask about buying or leasing a GMC for your business. Because the more you can keep your trucks on the road, the more you can keep your money in your pocket.

GMC TRUCKS ARE WHAT WE'RE ALL ABOUT.

"I've Come A Long Way...Maybe."

by Lena Horne

"My father once said I was lonely because people thought I was cold. He said it was because I had to be so strong all my life. He died the same year as my son and my husband and he had no idea how right he was.

"When that happened I thought there was no one left to be strong for. Then I discovered *me.*

"Many people can't accept strength in a woman. Especially a black woman. They call it cold. They call it tough. And some even call it uppity. But strength is where I get my feeling of security. Knowing I can take care of myself and my children no matter what. That's very important to me.

"Maybe it's because I've always had to sing for my supper. At first it was to pay my mother's bills. Then it was to pay my children's bills. Then it was to be a credit to my race. And then, of course, to my gender—to prove I was more than a Cotton Club cutie.

"Well, I'm still singing. But I'm singing for Lena now. I know what I'm all about and I don't expect everyone to love me any more. This way when they do, I know it's real and that's what it's all about for me. Being free. Loving what I do. And feeling it from the heart.

"Young people understand this feeling, and they're writing such great songs. Songs about freedom and honesty, times changing and roles reversing. Songs about things my generation never talked about, much less sang about. Songs that come from a place deep inside. Nothing phony about them.

"Like the song says, 'Maybe I'm a woman, maybe I'm a lonely woman caught up in something she really doesn't understand.' But maybe I do understand.

"Maybe I understand that I'm old enough and secure enough to sing those new songs these young people are writing. Maybe."

Lena Horne

Why some people feel more secure than others.

Just as Lena Horne paved the way for the kinds of opportunities women enjoy today, Penn Mutual has helped to insure those opportunities.

Whether you are pursuing a career, managing a household or trying to balance both, Penn Mutual has a plan that fits your life style as well as your financial objectives.

At rates based directly on the longer life expectancy of women—not on a modification of male rates.

And with Penn Mutual's special premium discounts for qualifying non-smokers, we're now making physical fitness as economical as it is chic.

There are many other good reasons why more and more women prefer insuring with Penn Mutual.

Call your Penn Mutual representative today. And find out just why some women feel more secure than others.

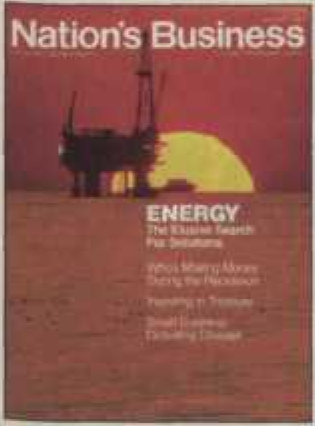
Penn Mutual

The Penn Mutual Life Insurance Company, Independence Square, Philadelphia, Pa. 19172

VOLUME 68 • NUMBER 8 • AUGUST 1980

Published by the
U.S. Chamber of Commerce
Washington, D.C.

Nation's Business



Departments

Cover Photo: George E. Meinzinger—Lensman

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street N.W., Washington, D.C. 20062. Available by subscription, United States and possessions, $37.50 for two years, or in combination with *Washington Report*, the business advocate newspaper, $62.50 for two years.

Printed in U.S.A. Controlled circulation postage paid at Chicago, Ill. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md., 20795. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. 212-557-9866.

WASHINGTON LETTER

▶ CAFFEINE may be hazardous to your rat's health, but does it have any effect on yours? Food and Drug Administration is seeking answer. Animal studies implicate caffeine as cause of birth defects. Some consumer groups want warning labels on products containing substance. Beverage industry's scientific consultants say rats and mice--most widely used test animals--do not metabolize caffeine in same way as humans, therefore do not give reliable test results. Potentially more serious: Japanese study indicated caffeine may be carcinogen. FDA reviewers found flaws in that study; it is being repeated. "Based on the data we have now, there is no talk of a ban," says FDA source. Warning of some kind remains possibility.

▶ CARBON MONOXIDE--identified by some researchers as possible peril in cigarette smoke--will be rated by Federal Trade Commission, as tar and nicotine content are now. FTC says its first report will be out in January. National Heart, Lung and Blood Institute has urged further investigation of relationship between carbon monoxide and heart disease. Rats have no cause for immediate concern--FTC uses machines for its tests.

▶ KEY FEDERAL APPOINTMENTS likely to be made by next President could bring major changes in national policy. Five members of Supreme Court are more than 70 years old. Nixon named four members of present court--more than any other President. Carter has had no opportunities to nominate. There are 21 vacancies on regulatory agencies, and several nominations already made face trouble in Senate. Affected are agencies of major importance to business, such as National Labor Relations Board, Securities and Exchange Commission, Federal Communications Commission, Federal Energy Regulatory Commission. If Carter loses election, then makes 11th-hour appointments, Senate Republicans and disaffected Democrats--maybe even Ted Kennedy--will fight confirmation.

▶ TALK OF TIP--tax-based incomes policy--is coming from Carter administration. It's a scheme to link wage-price guidelines with tax incentives. Some Carter advisers see it as graceful way to back into tax cut. Prospects? Not bright. "That balloon has been floated several times," says one business economist. "I can't see anything major happening before the election."

▶ WAGE-PRICE OFFICIALS seem demoralized from congressional rebuff on staff expansion, general lack of visibility. Inflation has headed up sharply during existence of Council on Wage and Price Stability. Council's claims that rate would have been even higher without its efforts are not taken very seriously. Major question now is whether pay and price guidelines will be renewed for third full year, starting Oct. 1, or continued only until 1981.

▶ TEST CONFRONTATION may develop over use of congressional veto. Congress retained authority to veto Education Department rules by 1974 amendment to basic governing statute. Since then, four controversial rules have been vetoed. But Attorney General has advised department to ignore that

action--only President has veto power, he claims, setting stage for precedent-setting power struggle. Congress has means to win, including power of purse strings, if it chooses to use them. If not, important regulatory reform mechanism will be lost.

▶ SATURDAY MAIL SERVICE looks safe through 1981. Postal rates, however, are headed up...again. Postal Service wants boost of 33 percent for first class, 1.9 percent for second-class newspaper rate, 17.7 percent for third class, and 8.3 percent for fourth. Hearings before Postal Rate Commission are scheduled through Nov. 21. Any changes commission approves are not likely to take effect before next March, at earliest. Also coming: nine-digit zip codes, in February.

▶ "SIGNIFICANT DELAYS" in completing census are foreseen by General Accounting Office auditors reviewing program. Problems cited: low mail response, difficulties recruiting and retaining personnel, lower than expected productivity. Counts must be reported to President by Jan. 1 for reapportioning House and to states by April 1 for redistricting legislatures. If problems continue and Congress does not grant extra funding, Census Bureau says it may have to cut corners to make deadlines, degrading quality of final figures.

▶ WORKER IDENTITY CARDS as qualification for employment are sought by AFL-CIO and Labor Department. Necessary to control growing tide of illegal immigrants, they say. Opponents don't like totalitarian image, say such documents might be used to harass those who look or sound foreign. To meet these objections, advocates suggest that card be forgery-resistant version of Social Security card, with use limited by law to application for employment. Carter administration takes no position, awaiting report of Commission on Immigration and Refugee Policy, due early next year. U.S. Chamber of Commerce says secure documentation is necessary if employers are to face criminal penalties for hiring aliens. Ronald Reagan is flatly opposed to idea. Prospects? "It's going to have rough sailing," says member of commission. That may be understatement.

▶ STANDBY GASOLINE RATIONING plan proposed by President Carter is now on books. Would provide about 40 gallons per vehicle per month, if petroleum fuel supplies drop 20 percent or more below current levels. Per-vehicle system is harder on affluent than poor, one researcher finds, but per-driver alternative would favor low-income even more. (Rich families have more cars; poor families have more drivers per car.) Energy Department notes that if worldwide shortage of crude oil pushed market prices high enough to cut demand, rationing scheme would be unnecessary. Coming: Separate rationing plan for diesel fuel.

▶ LONG GAS LINES around Washington, D.C., in summer of 1979 resulted from Energy Department rules and practices, concludes General Accounting Office. DOE will administer new standby rationing plan, if it is invoked.

▶ AVALANCHE OF OPPOSITION has cooled Energy Department's plan to issue building energy performance standards. Critics--including administration's Regulatory Analysis Review Group--said proposed standards would cost too much, create legal tangles, stifle innovation. Outcome: Original target date for final rule, August, is scrapped. Revised proposal will be issued in February. Final rule is now scheduled for August, 1981. But it looks as if Congress will make that August, 1982, at earliest.

▶ SEATED TOGETHER, by chance, in airplane, business representative is invited by administration official to read news release describing auto industry rescue plan. "There's nothing to it," he exclaims. Replies the official: "I know."

HOW TO MAKE YOUR MARK IN MUNICH.

GERMANY, FED. REP.	**49**
Aachen	241
Augsburg	821
Berlin	30
Bielefeld	521
Bochum	234
Bonn	228
Bottrop	2041
Braunschweig	531
Bremen	421
Bremerhaven	471
Cologne	221
Darmstadt	6151
Dortmund	231
Duisburg	203
Dusseldorf	211
Essen	201
Frankfurt	611
Freiburg	761
Gelsenkirchen	209
Gottingen	551
Hagen	2331
Hamburg	40
Hannover	511
Heidenheim (Brenz)	7321
Herne	2323
Karlsruhe	721
Kassel	561
Kiel	431
Koblenz	261
Krefeld	2151
Lubeck	451
Mainz	6131
Mannheim	621
Monchengladbach	2161
Mulheim Ad Ruhr	208
Munich	89
Munster	251
Neuss	2101
Nuremberg	911
Oberhausen	208
Offenbach Main	611
Oldenburg (Holstein)	4361
Oldenburg (Oldb.)	441
Osnabruck	541
Recklinghausen	2361
Regensburg	941
Remscheid	2191
Saarbrucken	681
Salzgitter	5341
Solingen	2122
Stuttgart	711
Trier	651
Wiesbaden	6121
Wilhelmshaven	4421
Wuppertal	202
SWITZERLAND	**41**
Aarau	64
Baden	56
Basel	61
Berne	31
Biel	28
Davos	83
Fribourg	37
Geneva	22
Interlaken	36
LaChaux-de-Fonds	39
Lausanne	21
Lucerne	41
Lugano	91
Montreux	21
Neuchatel	38
St. Gallen	71
St. Moritz	82
Solothurn	65
Winterthur	52
Zurich	1
AUSTRIA	**43**
Baden bei Wien	2252
Bludenz	5552
Graz	316
Innsbruck	5222
Kitzbuhel	5356
Klagenfurt	4222
Krems an der Donau	2732
Linz	732
Neunkirchen	2635
Salzburg	6222
St. Polten	2742
Vienna	222
Villach	4242
Wels	7242
Wiener Neustadt	2622

KEEP THESE CODES HANDY

DIAL DIRECT

Want to hear money talk? Pick up the phone. It's the only instant way to get the whole story—right from the source. If your area has International Dialing, you could be in Munich, eins, zwei, drei! Just dial:

INTERNATIONAL ACCESS CODE		COUNTRY CODE		CITY CODE		
011	+	49	+	89	+	LOCAL NUMBER

Dialing yourself means you can do business for $6.30 for a 3-minute call. That's starting with a bargain. Save the handy codes for your next call.

ALMOST DIRECT

Until your Area has International Dialing, you can still bank on your phone for immediate, 2-way communication.

Just tell the Operator the country, city name and local number you want. On Station calls not requiring special operator assistance, you get the same low rate as dialing direct. It's a real buy!

P.S. Nearly everyone can dial direct to most telephones in Canada, the Caribbean, Alaska, Hawaii and parts of Mexico—just as you dial direct to cities inside the continental U.S.

Bell System

Fiscal Fitness?

James J. Kilpatrick's column on "The Federal Taste for Waste" [June] gets the old adrenals pumping once again. To the question of controlling governmental waste, my congressmen seem unresponsive, and our presidents are a great disappointment whatever their political persuasions. Through it, or around it all, goes the federal bureaucracy, seemingly oblivious to the nation's financial hemorrhaging. The only way to restore some semblance of fiscal sanity to our federal government is to cap the amount of money the government can take from the economy.

H. D. APPLEQUIST
Willoughby Hills, Ohio

As the individual federal income tax burden continually increases, I am sickened to learn of yet other examples of wasteful spending through "bungling or bad judgment at the federal level" which Mr. Kilpatrick highlights in his column. I am angered at the arrogance of congressmen who vote themselves luxuries while professing to be public servants.

DAVID E. JONES
Richmond, Va.

Mr. Kilpatrick describes the pervasive attitude of people to get all that they can from the federal government just as long as it is available. The Christian school movement steadfastly refuses even the minutest subsidy from the government—federal or state. Parents and teachers in this group are resolute in their conviction to pay their own way even to the point of sacrificing for tuition and salary.

PHYLLIS V. BALZ
Freeport, Ill.

The Right Ralph

Re: James J. Kilpatrick's column, "Wanted: A Nader for Nuclear Power," [May]. His remedy for the antinuclear campaign is a "Ralph of the Right" to fight for nuclear power and more energy production in this nation. Although Nader has at least a 15-year headstart, a grass-roots organization called Americans for Nuclear Energy, founded late in 1978, speaks up for nuclear energy and isn't financially supported by either industry or government. The group has 14,000 dues-paying members whom it supplies with information they can use in support of nuclear energy.

DOUGLAS O. LEE
Falls Church, Va.

Regarding Mr. Kilpatrick's wish (heaven forbid) for another Ralph Nader to present the other side of controversies, I am thankful that his mother did not have twins. Not everyone has been thrilled with our untrained, unschooled, uneducated (in fields he claims knowledge of) "expert." After 35 years of driving all types of vehicles and keeping my record decent, I fail to appreciate a little dictator who doesn't even drive telling us "how it is."

JEAN PAINTER
Reno, Nev.

Buy American

I was talking to a man who complained about inflation and unemployment and blamed the foreigners. I asked him what car he drives. Of course it is an import. Then I said: "If you want the economy to get back on its feet again, buy American goods. I drive an American-made compact car. It does not give as good mileage as the import, but I feel I am helping the country get back on its feet."

NORMA STRONG
Myrtle Creek, Ore.

On the chin

The little man is always hit the hardest. He was not able to set aside for his so-called golden years, and now that he collects Social Security he does not have any money to supplement that pittance. Why is it that our legislators are always looking for a way to hit the little man? Social Security benefits should never be taxed.

SYLVIA SCHWARTZ
Bronx, N.Y.

Acid rain

Re: "EPA Ponders How to Buffer Acid Rain" [June]. Statements such as "acid rain is caused by coal-burning or oil-burning power plants;" "fine pollutants traveling high in the air for hun-

dreds of miles cause rainwater to become abnormally acidic;" and "many scientists think that this acidic water can kill aquatic and plant life, damage crop-growing soil, and accelerate erosion" are not supported by the facts. There is no question that the rain is acidic. However, it is far from clear what role coal-burning and oil-burning sources play. Similarly, unexplained anomalies make the long-range transport theory suspect. Finally, the data on environmental impacts of acid rain are very sparse.

DENNIS E. O'NEIL
Pittsburgh, Pa.

Serving up shakes

I live with the constant regret that I didn't remain in the military as a career officer ["Symbols and Substance," March]. So what if I didn't make as much as a McDonald's manager? Very few of us earn the obscene incomes of some rock stars or professional athletes. When I think of the special work that I was so proud to be doing, the elite organization to which I belonged, the travel, the family services, the health care, the superb retirement benefits, the opportunity for advancement while still young, the security and the comradeship, and I compare that to making a living by serving up processed hamburgers and chemical froth shakes—I shake my head in wonder that I was stupid enough to think that money was all that mattered.

JOHN W. LISKEY
Annapolis, Md.

Bank temperatures

The May issue quoted Lane Kirkland as saying: "What does the banker produce for the higher interest he receives?" Banks operate in the same economic environment as other businesses. When inflation and interest rates are high, so are costs for banks. As Louis Rukeyser said recently at an economics seminar: "Blaming banks for high interest rates is like blaming a thermometer for the temperature."

RUTH ROSS
Elkhart, Ind.

Brown lung

The Washington Letter [June] pointed out that OSHA was able to inspect anywhere in 1978 and therefore should have been aware of the dangers that caused death. OSHA has had to resort to court to make some inspections, presenting evidence of a suspected dangerous situation. Such evidence must be in the form of reports signed by employees. Many textile firms and other manufacturers want the laws changed so that they can do their own inspections. After all, safety measures cost companies a lot of money.

Recently, I read an article in which the writer attempted to dismiss the problem of brown lung in cotton textile mills by saying that it did not really make the lungs brown.

MORRIS JONES
San Diego, Calif.

Appraising Carter

Re: The June issue cover. Excellent pictures of Reagan and Kennedy—fair pictures of Bush and Anderson; why such a bad pose of our President? I believe you could have found a much better picture of President Carter. He is a fine Christian gentleman, and I believe that he is as capable (and probably much more so) as any other U.S. citizen to serve as President.

Many of the problems faced by President Carter have been here for years, yet had not been brought out by previous presidents. Many of the problems have never occurred before—so how do we appraise his performance fairly?

HELEN S. SMITH
Macon, Ga.

A big lie

I'm still appalled by the talk of gasoline rationing. The so-called fuel shortage is one of the biggest lies that has ever been perpetrated against the American people. The government is using the old adage: "If you tell a big enough lie often enough, people will believe you." Increasing the price of gasoline has not worked in Europe, and there is little reason for us to believe that it will work here.

ROY P. GIBBENS
Asheville, N.C.

The merry-go-round

We have more government than we can afford. Congress, organized minority groups, and lobbyists now run the country. First one side will cause a law to be passed giving that segment certain benefits. Then, Congress is forced to pass another law to help to assuage the feelings of a second group, and so forth. One way to stop this merry-go-round is to limit congressional terms to two and to appoint judges for a fixed term instead of for life.

ROBERT G. ERWIN
Franklin, N.C.

How A&A views a growing company

Potato chip quality control inspection at Jays Foods, Inc., in Chicago.

For an expanding business like a potato chip manufacturer, Alexander & Alexander experts look at operations through an owner's eye. We study the insurance costs of crispness and the effects of the money crunch. Probe for risks in delivery routes and avenues for new plant financing.

It's not the focus you usually get on snacks. Unless, of course, you're one of the food firms on A&A's client roster.

Personalized risk management

But these inside vantage points give A&A the best view of how to protect a business built with an entrepreneur's dreams and drive. It's the frame of reference that enables us to assume the function of risk manager for any medium-sized or small business. We eyeball every pitfall, any opportunity—protect against an owner's personal liabilities; plan the funding of workers' compensation, profit sharing, pensions; deal with life insurance, acquisitions, OSHA requirements; and handle claims as if they were our own.

Every industry is unique. Each has different needs. For insurance, for risk management, for human resources management, for financial services. That's why A&A works from a client's point of view. Only by working as partners, solving business problems together, can we be sure a company gets the most comprehensive, cost-efficient programs possible.

We think our dedication to forming a close alliance with our clients is a big reason why A&A has become one of the biggest and most trusted insurance brokers worldwide. Each of our 120 offices here and overseas offers the facilities, expertise and strength to meet the needs of any company, large or small, in any industry. Because we work the same way with every client. From the client's point of view.

In New York, contact Alexander & Alexander Inc., 160 Water Street, New York, NY 10038, (212) 344-5200.

Alexander & Alexander

From the client's point of view.

Nation's Business

PUBLISHER
Chamber of Commerce of the United States, Washington, D. C.
The U. S. Chamber is a federation of business corporations and firms, trade associations, local and state chambers, and American chambers of commerce abroad.

PRESIDENT
Dr. Richard L. Lesher

VICE PRESIDENT—COMMUNICATIONS
Dr. Carl Grant

MANAGER—PUBLISHING GROUP
David A. Roe

EDITOR
Peter A. Janssen

MANAGING EDITOR
Grover Heiman

COPY EDITOR
Priscilla Anne Schwab

MONTHLY EDITORS
Vernon Louviere
Tony Velocci

SENIOR EDITOR
Barry Crickmer

ASSOCIATE EDITORS
Michael Thoryn
Mary L. Tuthill

ASSISTANT EDITOR
Roberta Graham

PRODUCTION DIRECTOR
Harry N. Miller

PRODUCTION EDITOR
Sharon Hockman

ART DIRECTOR
Hans A. Baum

ASSISTANT ART DIRECTOR
Richard C. Freund

ART ASSOCIATE
Naomi Sakanoue

ADVERTISING DIRECTOR
W. Brett Perrine

CIRCULATION DIRECTOR
Thomas J. Ames

ASSISTANT CIRCULATION DIRECTOR
Harold E. Johnson

BUSINESS MANAGER
William W. Owens

BY JAMES J. KILPATRICK

Who's Running the Store?

THE DOCTORS of political science, in their continuing study of the anatomy of power in our society, must be scratching their heads these days. The bones and muscles and organs of power that once seemed so well defined have taken on a different character. For my own part, I happen to like the old anatomy better.

As every schoolboy used to be able to tell us, our Constitution is primarily an instrument of power. The Constitution delegates, distributes and restrains power. To achieve these ends, the Constitution relies upon two principles that were much loved by the Founding Fathers. The first of these is the principle of separation of powers, by which powers are assigned to the three branches of our national government. The second is the principle of federalism, by which powers are divided between the national government and the individual states.

These are great principles that have stood many tests. What in the world has become of them? We haven't seen much of them lately.

Under the Constitution, all legislative powers are vested in a Congress. The executive power is vested in a President, and the judicial power is vested in a Supreme Court and the various inferior courts. That is how the Founding Fathers laid it out. Edmund Pendleton had the vision of Ezekiel: He saw three circles of power, lightly touching, never overlapping, each department supreme within its sphere. To Jefferson, the principle of separation of powers was "clearly the spirit of the Constitution."

This orderly arrangement gets fuzzier year by year. By creating "executive" agencies and giving them power to make rules and regulations having the force and effect of law, Congress has effectively abandoned its own birthright. In our everyday lives, what is the legislation that affects us most closely? Certainly it is not the legislation that stems from the Congress. It is rather the legislation enacted by agencies created by the Congress—thousands upon thousands of little laws, written and promulgated by public servants who remain beyond the reach of political power.

The executive power increasingly is blurred. Suspicious of what Arthur Schlesinger, Jr., defined as the "imperial presidency," Congress keeps nibbling away at presidential prerogatives. The judicial power no longer is vested in judges alone. In the gardens of our political system, a pernicious weed has taken root. It is the device of the "civil penalty," imposed by a government inspector who combines the functions of prosecutor, judge and jury. In the undulating fogs of administrative law, such ancient institutions as due process and trial by jury tend to vanish altogether.

The principle of federalism is equally disdained. Under the Constitution, the national government was to have certain enumerated powers; all others were to be reserved to the states respectively, or to the people. The idea was to keep the national government from getting too big for its britches.

But the concept of limited and enumerated powers began to evaporate under the radiance of John Marshall, and today it has dried up altogether. What significant powers are still retained by the states? Give me two weeks, as Gen. Eisenhower once unkindly remarked of Mr. Nixon's contributions, and perhaps I can think of one.

Beyond the mechanisms of the Constitution, other instruments of power tend to rust away. Out of habit, we cling to such fatuous notions as, "The Democrats are in power in the House and Senate." Nominally, of course, they are. But party accountability is a relic of the past. Party regularity is a sometime thing. Back in June, word went through the Senate press gallery that a party-line vote could be expected on a Republican tax amendment. Young reporters rushed to their chickens' roost to watch the heralded spectacle unfold. They feared they might never witness such a sight again on Capitol Hill.

TIME WAS WHEN committee chairmen exercised great power on the Hill. Seniority was the absolute rule, and it was a good rule. The locus of power was precisely defined. No more. Ever since the Young Turks' rebellion of 1971, committee chairmen have been birds with broken wings. Some of the congressional reforms may have proved beneficial; I leave that argument for another day. My point is simply that the lines of power are tangled. Who's running the store? It's often hard to say.

Perhaps it was meant to be this way. Twenty-four hundred years ago Plato reflected upon democracy. It is "a charming form of government," he said, "full of variety and disorder." All the same, the diffusions of power that now characterize our political system reduce the idea of accountability to a nullity. When everyone's in charge, no one's in charge; and it follows that no person or party can be credited for success or blamed for failure. For those who like things nice and tidy, it's a discombobulating time. □

Heeding His Own Advice

By Robert Parker

LEONARD L. SCHLEY, 59, an electronic parts distributor in Burlington, Mass., has a simple formula for business success. "In two words and five letters," he says, "own it."

Applying his own formula, Schley has created an enviable record of starting and nurturing successful small businesses. He has used an engineer's training and a sure sense of the marketplace. While his business obviously demands management skills, Schley thinks of himself as an entrepreneur.

Schley was graduated from Cornell in electrical engineering in 1942, just in time to join the Navy for World War II. He was sent to Harvard and M.I.T. for training in radar and electronics.

After the war, Schley signed on with Ebasco Services, a New York-based firm of engineering consultants serving mainly electric utilities. But Schley's overriding ambition was to run his own business. In 1953, he and a partner started his first company, a manufacturers' representative firm that sold components to the many electronic manufacturing firms that were springing up around Boston.

Four years after their start, Schley and his partner divided their accounts and went their separate ways. Schley's way was to add a distribution function to the business; he purchased, inventoried, warehoused and resold the components rather than simply taking orders.

As the business grew, it divided again, like a healthy amoeba. This sale, to a group of Schley's employees, split off what remained of the manufacturers' rep accounts, leaving Schley Electronics solely as an independent distributor. Almost in his spare time, Schley also started a small manufacturing operation called Hyperion, and when it succeeded, sold it.

By 1969, Schley Electronics had expanded its sales to more than $3 million a year, making it an acquisition target of a company from Los Angeles, Kierulff Electronics. Schley agreed to work for the new owners for two years, and not to re-enter the electronics business for five years. He stayed the two years, then left in 1972 to consider his future. Too young at 52 to retire, he played some tennis, looked for business opportunities in industrial real estate development, then in venture capital projects. But as Schley says: "I found nothing interesting in real estate, and in 1973 and 1974 the venture capital market fell out of bed." His tennis game, however, improved.

It wasn't a bad time to sit out a business cycle, even if the vacation did involve living on what Schley calls, with a touch of Calvinist distaste, "unearned income" from his investments. Soon after his contractual exile from Kierulff Electronics ran out, Schley assembled three partners and was ready to go again with a new venture in electronic parts distribution. Lionex Corporation, with Schley as president and majority stockholder, went into business in October, 1975. Seven months later, it started making a profit.

"We hit a rising tide of business," Schley recalls. The recession was over, the electronics business was growing and the market was open for an experienced distributor with supply sources, sales contacts and the kind of reputation for reliability that he had built in his previous incarnations. Today the firm is a network of 15 supply franchises, 900 customers and a staff of 62. Sales are $20 million a year, with after-tax profits of 6 percent, well above the industry average.

Leonard Schley's son, Daniel, 25, who started and then sold a solar energy contracting business in California to enter Harvard's graduate school of business, was entertaining some business school friends at the family's home on Cape Cod recently when the dinner table conversation evolved into a seminar.

Says Leonard Schley: "I told them that when you own your own company, you don't have to worry about raises, you don't have to worry about advancement, and you're building your own equity. If the business is successful, you acquire wealth much more rapidly." By contrast, he explained, an executive of a major corporation, while holding a position of power and influence, must still build his personal equity gradually with after-tax dollars.

Leonard Schley, with his own company, a fortune that he brackets in "the low seven figures," and lots of job satisfaction, is certainly a good example of a man who took his own advice. □

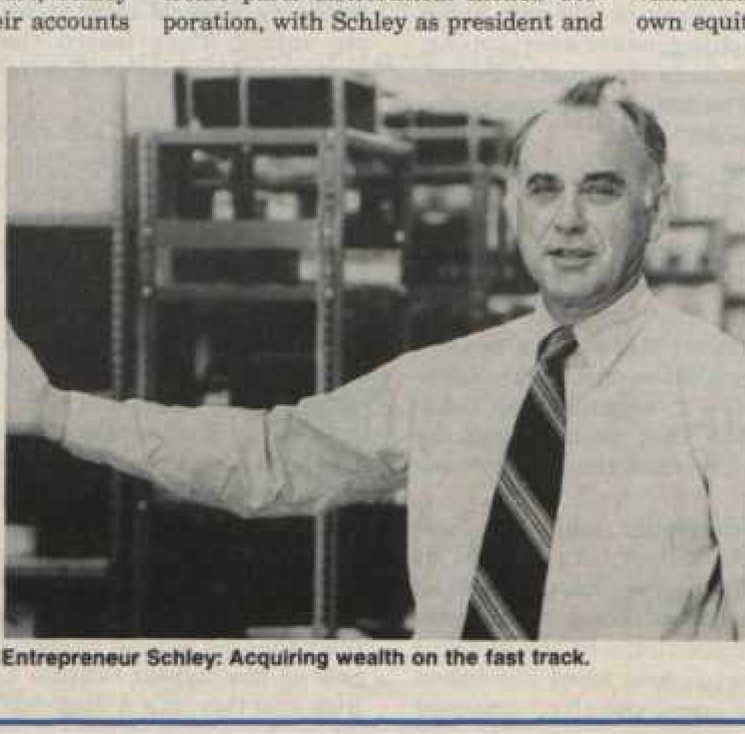


PHOTO: CHRISTOPHER MORROW

Entrepreneur Schley: Acquiring wealth on the fast track.

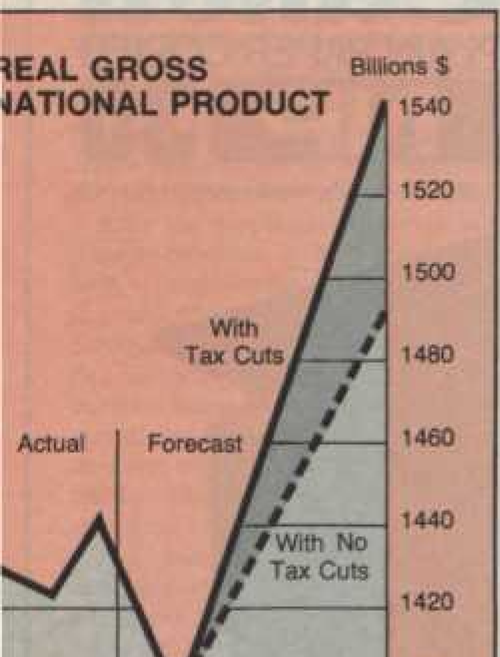
This is the first in an occasional series on successful entrepreneurs.

OUTLOOK

THE ECONOMY

Tax Cuts Without Restraint = Inflation

The subject of tax relief is reversing political polarity, with Republicans proposing cuts of major benefit to individuals, Democrats proposing cuts of major benefit to business, and voters saying they don't want any cuts if an increase in inflation is the price. However, some form of tax stimulus to business investment is common to all the politicians' plans.



The strength of recovery in 1981-82 from this recession will depend on incentive-increasing tax cuts.

Ronald Reagan brought the tax issue to the front burner with his call for a 10 percent across-the-board cut for individuals, plus the 10-5-3 depreciation reform measure sought by business. Costing about $36 billion, the Reagan plan is essentially one third of the Kemp-Roth proposal for a 30 percent reduction over three years.

President Carter—who had insisted that the need for a balanced budget precluded any immediate tax cuts—soon found himself being pre-empted first by his Republican opponent and then in Congress by members of his own party.

Since then, the administration has grudgingly developed its own version of depreciation reform, and congressional Democrats are coalescing around a package of cuts in the $25 billion range, which will probably include some form of Social Security tax relief.

Whether the proposed cuts are too small to do any good or so large they will aggravate inflation is the current controversy. Economists agree that cuts offset by corresponding reductions in federal spending are not inflationary. Absent such reductions, the agreement disappears. Some of Reagan's advisers argue that federal budget deficits in a recession are not inflationary; if tax cuts stimulate business activity, much of their cost will be recovered in increased revenues.

Administration economists call such projections too optimistic and warn that abandoning the goal of a balanced budget will signal that the government is unwilling to stick with its anti-inflationary policies.

Another view gaining adherents is that the economy is in such trouble getting out of it must take priority. This alarm was sounded recently before the Joint Economic Committee by Prof. Paul W. McCracken of the University of Michigan, an economic adviser to Presidents Eisenhower and Nixon. "We are in danger," he said, "of arriving at the end of fiscal 1981 with the worst of all worlds"—a budget deficit, higher taxes and further loss of faith in federal management of the economy.

One point often overlooked is that federal taxes will rise by about $85 billion next year from programmed increases in old taxes, new taxes and the effects of inflation. If there are no tax cuts, this increase will intensify the recession, warns Richard W. Rahn, vice president and chief economist at the U.S. Chamber of Commerce. He favors immediate tax cuts of $25 billion to $35 billion, with most of the relief aimed at business.

Given the proper kind of tax changes, Rahn says, unemployment will peak at 9.4 percent in the second quarter of 1981, and inflation will decline from 13.3 percent for 1980 to 9.2 percent for 1981.

The Carter administration expects a peak unemployment rate of 8.5 percent by the end of the year, with inflation rates of 11.9 percent for 1980 and 9.8 percent for 1981.

Everyone Cannot Come Out Ahead

Social Security taxes have nowhere to go but up if the working population is to go on supporting an ever-larger retired population. This point alone has led to speculation about intergenerational warfare, but the problem may go even deeper than that, warns Robert M. Dunn, Jr., a professor of economics at George Washington University in Washington, D.C. The ratio of income earners to the nonworking has increased in recent years, enabling the economy to grow more than it would have done, given the declining state of productivity.

Now, however, there are no more large pools of potential workers to tap (excluding the increased number of unemployed during recessions). Consequently, unless the country can return to its historical rates of productivity improvement, the economic pie will get no larger. As more and more retired people claim a growing share of it, their increase will have to come out of the share going to the working group. In other words, there is no way that everyone can come out ahead.

The only way out, according to Dunn, is to improve productivity through increased saving and investment. And the current recession offers a relatively painless (politically speaking) opportunity to do that, he says. During a recession, consumption is down already, and "a further decline in the volume of private or public consumption [is not] necessary to create excess capacity that can be used to increase productive investment."

GOVERNMENT

Putting Regulation On a Tight Budget

Almost everybody agrees that the costs of complying with federal regulations are high, but no one has found a way to reduce these costs short of abolishing the regulations.

One approach pushed by the Joint Economic Committee is a regulatory budget, which would apply the same types of controls used in fiscal budgets to regulations. A somewhat similar approach is under way at the Office of Management and Budget, which has proposed a Regulatory Cost Accounting Act to pinpoint compliance costs.

A major stumbling block seems to be ensuring a high degree of accuracy in identifying all of the hidden costs involved. According to Senator Lloyd Bentsen (D-Tex.), JEC chairman, the cost of regulatory compliance now runs about $100 billion annually and could reach $300 billion by 1990.

In proposing the regulatory budget, Bentsen said that Congress should give business "a little breathing room."

Marvin Kosters, director of the American Enterprise Institute's Center for the Study of Government Regulations, likes the regulatory budget concept but sees some problems with carrying it out.

The regulators now have no incentive to economize on the costs that others must bear in trying to comply with regulation, he points out. Also, there is no effective limitation on the resources that the regulator can cause business to spend.

Any reform efforts will probably be opposed by environmentalists. However, both the JEC and OMB say that budgetary restraints would not be used to thwart the mandates for a cleaner and safer environment.

In only 15 years the regulated share of the economy has expanded from about one tenth of the gross national product to about one fourth. In Senator Bentsen's view, if this trend continues, regulation could cause the federal share of the GNP to climb to 38 percent in the next two decades.

Americans seem to be healthier than ever, but no one quite understands why.

HEALTH

Drop in Death Rate Sparks Lively Debate

The chances that a person your age will die from coronary heart disease are much lower now than they were 10 or 15 years ago, according to Dr. Robert I. Levy, director of the National Heart, Lung and Blood Institute.

From 1968 to 1976, the coronary death rate fell by 20.7 percent, compared to a 15.6 percent decline in the death rate from all causes. But the experts aren't sure why.

"The two risk factors we are really sure about are overweight and smoking," says Dr. Edward H. Ahrens, a biochemist at Rockefeller University. But Dr. D. Mark Hegsted, head of the Agriculture Department's Human Nutrition Center, says that high blood pressure and cholesterol levels are more dangerous than obesity, although "I don't want to be in favor of obesity."

The department's studies show that Americans are eating fewer calories than they used to, says Hegsted, but are not losing any weight—a pattern that makes him wonder whether we are really getting more exercise.

Increased exercise can lower other suspected risk factors such as high blood pressure and high levels of undesirable fats. But even if a general increase in fitness is assumed—and that is controversial—the decline in the death rate began well before the exercise fad.

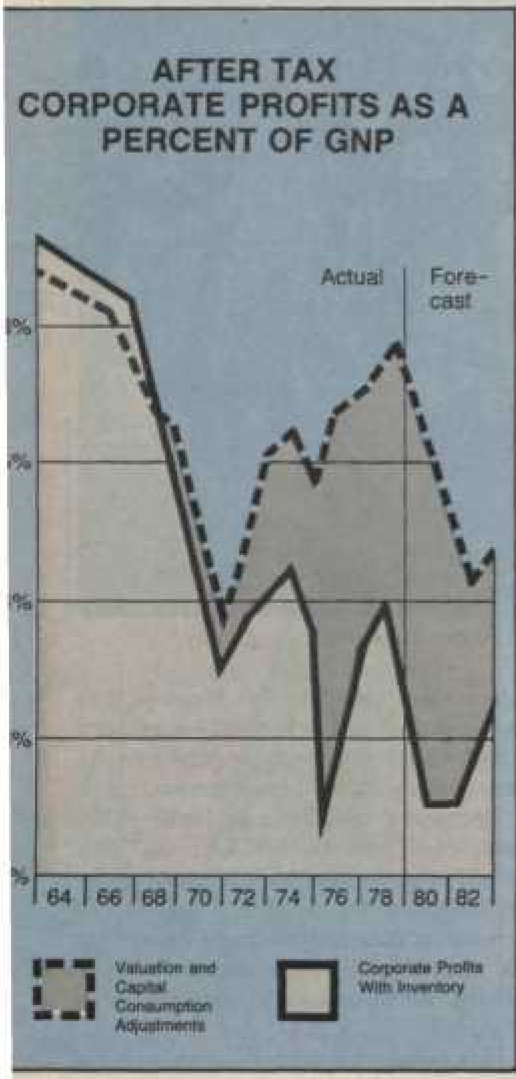
Likewise, the modern emphasis on controlling high blood pressure antedates the improvement in mortality statistics and affects too small a percentage of the population to account fully for the change. Still more puzzling is that the death rates for blood pressure-related diseases such as stroke began to decline long before the heart disease data improved.

So what should you do, besides welcoming the news that we are getting healthier? Ahrens suggests: Keep your weight down, and otherwise "just keep on doing whatever it is that you have been doing."

CORPORATIONS

How to Account For Past Inflation

Corporate profits are either unusually low or about as healthy as they were in the 1950s, according to generally disputed accounting principles. The problem is accounting for inflation. If key financial data for the preceding five years are derived in constant dollars, then income and return on net assets appear to be much lower than



Corporate profits are deflated drastically when inventory valuation and capital consumption are adjusted for inflation.

when reported in the conventional way, while the effective tax rate and the dividend payout ratio appear much higher. Says Joseph E. Connor, chairman of Price Waterhouse & Company: "Financial statements that mix dollars of 1965, 1972, and 1979—and a lot of statements do—are in effect and invisibly commingling four different currencies." Because of inflation, "a dollar of cost incurred [earlier] is not recovered by a dollar of 1979 revenue. Failure to recover costs produces a corresponding overstatement of earnings—as reported and as taxed," he says.

Price Waterhouse examined the annual reports of 215 large American corporations to trace the effects of inflation revealed by Financial Accounting Standard No. 33, which requires large, public companies to publish information about the effects of general price changes (constant dollar information) and specific price changes (current cost information).

Constant dollar information is calculated by inflating past costs by the present value of the dollar. Current cost means stating past costs in terms of present replacement costs. The two figures tend to be similar but not always the same. The usual effect of either adjustment is to increase the charge against earnings for depreciation allowances and inventory replacement. With real earnings reduced, the effective tax rate and dividend payout ratio increase, while return on net assets decreases.

A composite of the companies in the study shows that constant-dollar income is only 60 percent of the nominal 1979 figure; return on net assets is eight percent rather than a nominal 17 percent; the effective tax rate is 53 percent, not 39; and the dividend payout ratio is 65 percent instead of 33.

But because of inflation, a corporation may come out ahead on its long-term debt, some economists and accountants argue. The process is like that experienced by many homeowners, whose mortgage payments remain fixed while their homes appreciate in value and their incomes rise. If this factor is considered, overall corporate profits appear to be about where they were in the mid-1950s.

"If the purchasing power gain or loss had been included in constant dollar income," notes Price Waterhouse, "that amount would have been higher for all industries except the financial companies and, in several instances, would have exceeded 100 percent of historical income."

There are several counterarguments to recognizing purchasing power gains. One is that for every borrower who gains from inflation, there is a lender who loses. Another is that individual corporations may be losing as much on pension fund assets as they are gaining on debt.

But on one point, everybody agrees: Accounting without inflation is a lot easier than accounting for it.

TAXES

Double Income Tax Hinders Exports

Would tax relief for Americans working abroad spur exports? Mark Cohen, vice president-taxes for American Express thinks so. He told a Senate subcommittee that the current law, which excludes income under $25,000 from taxes, is a "self-imposed trade barrier."

Unlike most of its trade competitors, the U.S. requires Americans overseas to pay taxes at home as well as to the host nation. Many companies compensate workers abroad for this double taxation, but rising tax rates in the U.S. and in foreign countries have increased costs, especially for the service industries. These companies export technical know-how and management expertise and cannot trim costs by reducing personnel.

Representative Sam Gibbons (D-Fla.) favors exempting the first $75,000 earned overseas. "At a time when our nation is forced to relearn how to compete in international markets, we are harassing and overtaxing those who are helping our balance of trade."

However, Senator William Proxmire (D-Wis.) demurs. Raising the ceiling would "get the ordinary taxpayer at home to pick up much of the tab for American personnel abroad." Exports are doing fine, Proxmire maintains, and the nation doesn't need any "welfare for the well-to-do."

PERSONAL

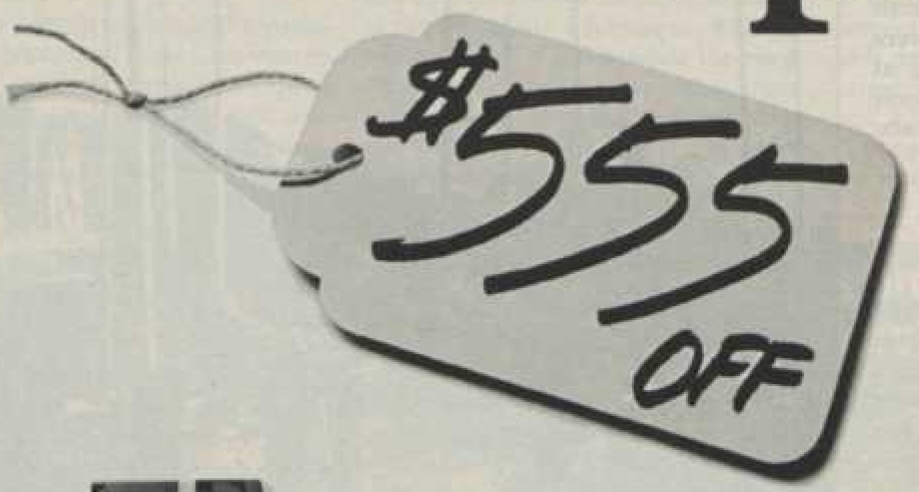
Get Your Ticket Punched In Washington, D.C.

Has the corporate fast track been rerouted through Washington, D.C.? That's the implication of a survey by Boyden Associates, a New York executive recruiting firm.

The survey found that 61 percent of the corporate executives working in their companies' Washington offices have previously held positions in general management, marketing or manufacturing. Further, 53 percent of them have held their current jobs for less than three years.

The pattern shows that a Washington assignment "may be replacing an international stint as a grooming post for future corporate leaders," says Thomas Malatesta, managing partner of Boyden's Washington office.

The latest improvement in Xerox small copiers.



The Xerox 2600 copier now comes with the ultimate money-saving feature. A low price tag.

We've reduced the price by a full $555.

That's 12% less. For a copier that's 100% Xerox.

It gives you Xerox quality copies on plain paper, on your letterhead, mailing labels and transparencies.

It also copies from bound volumes.

And it's backed by the largest service network in the business.

Besides the 2600, we've reduced prices on five other Xerox small copiers—with savings ranging from $355 to $650.

To find out more about them, just send in the coupon. Or call 800-648-5600, operator 262.*

After all, why settle for a small copier that's cheap, when you can get a Xerox small copier that's inexpensive?

☐ I'd like a sales representative to contact me.
☐ I'd like a demonstration.
☐ I'd like more information about Xerox small copiers.

Send to: Xerox Corporation, P.O. Box 24, Rochester, N.Y. 14601.

Name __________

Title __________

Company __________

Address __________

City __________ State __________

Zip ______ Telephone __________

NB 8/80

XEROX

XEROX® and 2600 are trademarks of XEROX CORPORATION.

*In Nevada, call 800-992-5710, operator 262.

SMALL BUSINESS

Discount Squeeze Troubles Grocers

An almost overlooked section of the new trucking deregulation law could prove damaging to small grocers.

The section troubling the grocers allows food manufacturers to offer substantial discounts on longer hauls to large chains with their own fleets of trucks. The new section replaces the old averaging rule under which every wholesale customer paid a manufacturer the same price for the same quantity of groceries delivered within the same geographic zone. To make up for the price concessions, the manufacturer might have to increase his price to small grocers.

The Food Marketing Institute, which supported the new law, says cooperative warehouses run by independent grocers make price differentials unlikely. In addition, trucks that were traveling empty after unloading at stores can now stop at a manufacturer and return full, reducing food costs, the institute says.

Compensation Act Poses a Catch-22

The Longshoremen's Compensation Act covers marina workers as well as stevedores.

"Finding a company that will write this insurance is increasingly difficult [and when you do] the costs are high enough to put some businesses out of business," says Myra Toben, a vice president and general trouble shooter for Marsh & McLennan, Inc. She's talking about insurance for the many employers whose workers fall under the Longshoremen's and Harbor Workers' Compensation Act.

The difficulty in finding and funding Longshoremen's Compensation Act coverage is no small matter for many small business people, who may get caught in a Catch-22 trap. By law, they must either buy the insurance from a carrier or insure themselves. To do the latter, they have to meet Labor Department standards, but because of the high claims costs associated with the act, it is unlikely that a small business will qualify.

The act affects far more small businesses than its name implies. Under various circumstances, it has been held to cover workers employed by summer camps, marinas, marine museums, grain elevators, contractors engaged in work over or adjoining water, and businesses making, repairing, servicing, or selling recreational and fishing boats. It also includes workers privately employed in the District of Columbia, and civilian employees on some U.S. military bases. It has also been touted as a "model" for reform of state workers' compensation laws.

But the precise extent of coverage can be maddeningly uncertain. The act's original scope has been expanded numerous times by congressional amendment, administrative interpretation and judicial decree.

Last November, for example, a Labor Department official declared in a letter to Representative Edward Beard (D-R.I.) that the operators and employees of youth camps were not subject to the act. But the next paragraph states that "our position is not free from legal doubt." In other words, only after a claim has been filed and adjudicated do the employer and his insurer find out what kind of insurance was needed.

Such uncertainty, plus high benefits indexed to inflation, makes insurers reluctant to provide coverage. Benefits to an injured worker may run as high as $426 a week—tax free, for life. A worker may continue receiving benefits for a partial disability even after returning to work. And death benefits are paid to survivors even if the worker's death is unconnected with his work or a work-related injury.

Representative John Erlenborn (R-Ill.) has introduced a reform bill supported by a coalition of 55 trade associations, insurance companies and affected employers, but labor opposition is intense. "What we're trying to do now," says one business lobbyist, "is to build a base for progress next year."

The Difference a Year Or Two Makes

Two years ago, President Carter vetoed a small business bill because it failed to drop farmers from the Small Business Administration's disaster loan program. This summer he signed a compromise bill, calling it "an important measure in developing the small business community."

The new law mandates that when disaster strikes farmers must first seek assistance from the Farmers Home Administration.

In addition, the new law sets spending levels for SBA programs at $1.375 billion through fiscal 1984; allows SBA to borrow directly from the Treasury if the agency runs out of disaster funds instead of having to seek supplemental money from Congress; and grants SBA new authority for making guaranteed loans to Employee Stock Ownership Plans (ESOP).

The law sets up the eligibility guidelines for those small firms that want to transfer stock to employees—about 3,000 to date—however, SBA will dole out the money under its regular business loan program.

In addition, the law authorizes up to $65 million in fiscal 1981 for the Small Business Development Center Program. The university-based centers provide management and technical assistance to small firms.

The program has been expanded from eight to 17 centers. Each center is eligible for at least $200,000. Some centers, such as those in California, Pennsylvania and Wisconsin, could receive much more.

Memo to IRS: Take Your Time, Please

The Internal Revenue Service took nearly 11 years to draw up proposed rules establishing when bonds, notes and debentures should be held as equity instead of debt. Now, many small business owners must be wishing that the IRS had taken even longer. The new regulations promise to hamper, not help, the typical small business' already difficult task of raising capital.

In the past, the IRS considered most bonds, notes and debentures as debt, which meant that businesses could deduct interest. Under the new rules, however, many more of these will be defined as stock, so that businesses will not have interest deductions.

Worse than that, however, is the ten-to-one provision. It says that if a firm with a debt-to-equity ratio of more than ten to one issues a bond, note or debenture, it will be treated as stock and taxed accordingly. This provision would preclude many small firms from borrowing heavily to start up or maintain operations.

A second provision hits venture capitalists or small business investment companies. A lender who owns at least 5 percent of stock in a firm to which it is lending money may find that the entire debt has reverted to stock if major terms of the loan agreement are changed. For example, if a small firm borrows on a note, then finds it cannot pay interest for a while, the debt may become equity so that the lender holding the newly created stock must pay taxes on the dividends and the business could not deduct subsequent interest payments.

Unless the IRS revamps its thinking, the regulations are due to go into effect on December 31. Meanwhile, thousands of small businesses wait in suspense as the IRS defends the regulations as equitable, accountants argue over possible benefits, and everyone else confesses ignorance of the exact consequences.

SBA Offers Car Dealers a Deal

The Small Business Administration regional and district offices have been instructed to be especially solicitous of the cash needs of small auto dealers hit by the recession.

SBA Administrator A. Vernon Weaver says the agency will reduce the paperwork in applying for a guaranteed bank loan, accept the dealer's financial statement instead of requiring a bank statement, enable larger dealers to qualify for the guaranteed loan program, and consider deferral of interest payments.

On the other hand, the SBA has increased the interest rates on guaranteed loans—frozen since last September—to "make them attractive enough for commercial lending institutions to participate in the program." Banks and others had been reluctant to lend money at the going rate of 0.5 percent over prime, Weaver says. The new rate will be 2.25 percent over prime on loans of less than seven years and 2.75 over prime for longer loans. "Changes in the money market forced the rate increases," he adds. □

ENERGY: Elusive Solutions

UNHAPPILY ENOUGH, America's seven-year search for answers to the energy crisis has produced more promise than substance. In fact, the U.S. is even more dependent on imported oil today than it was in 1973 when the Arabs slapped on their economy-busting embargo. We imported 35 percent of our daily oil consumption then; we import 40 percent now. Worse than that, nearly two-thirds of current imports come from OPEC countries, which consistently squeeze supplies and raise prices (the average price today is $31.33, up from $13.66 just last year.) In addition, U.S. oil production is sagging.

The Energy Security Act, signed by President

Carter in June, envisions a mixed solution of conservation, increased production of coal and oil, development of synthetic fuels, and harnessing solar, wind and hydropower. While this policy shows promise, its timetable for results is at least seven years away.

The sense of déjà vu arising from America's state of energy dependence was heightened by President Carter's pledge at the Venice summit last June to double coal production and encourage the construction of nuclear plants as part of a concerted campaign to end OPEC dominance. That same day, the Democratic Party's platform committee adopted a plank to "retire nuclear plants in an orderly manner," contradicting Carter's policy; four days later the House of Representatives sandbagged the President's proposed Energy Mobilization Board that would have provided top-priority energy projects a fast track through the government bureaucracy.

The general gloom is only slightly lifted by the fact that gasoline consumption in the first five months of 1980 fell by 8.1 percent compared with the same period last year, and crude oil imports are down to 7.8 million barrels a day, the lowest level in four years. However, the decreases are more likely due to rising gas prices than to any public consensus to conserve. (Gasoline is expected to cost at least $2 a gallon by 1982.) And, says Deputy Energy Secretary John C. Sawhill: "Until we reduce our imports to no more than 4.5 million barrels a day, we remain very vulnerable." But not even Sawhill expects that to happen before 1990.

The most practical immediate solution is to encourage much greater conservation. "There is no cheaper source of new oil, gas, coal or electricity than conservation, unless OPEC happens to cut prices back to the real cost of production," says Senator Mark O. Hatfield (R-Ore.).

That is unlikely in the face of OPEC's internal disputes over pricing and supplies. Still, the U.S. can use 30 to 40 percent less energy than it does today "with only modest adjustments in the way people live," according to Daniel Yergin, co-editor of *Energy Future* and a lecturer at Harvard's Center for International Affairs. He advocates a total commitment to conservation, with government incentives on a massive scale for industries, utilities and the public.

"Conservation is prosaic, even boring," says Yergin. It is easier for the government to aim for a technological fix—another Manhattan Project or man-in-space program, he says, but productive conservation "involves 50,000 or 50 million things, big, medi-

PHOTO: JACK FIELDS—PHOTO RESEARCHERS INC.

Roughnecks guide an offshore drill bit.

um and little," that are unexciting in themselves, but that add up to "total independence" from OPEC.

Meanwhile, the possibility of another Arab embargo hangs over the nation's oil future like a sword of Damocles. Just recently, Syria and the Palestine Liberation Organization threatened that unless the U.S., Canada and our Western allies forced Israel to give back lands seized in the 1967 war, the Arab nations would cut oil supplies by 25 percent. An oil cutoff could also result from war in the Middle East. "The Arabs and the Israelis have warred every decade since the state was formed," says Chase Manhattan Bank analyst David Knapp. "How can anyone believe the 1980s will pass without still another one?"

What would happen if the Arabs turned off the spigot? Scientists, engineers and economists at a recent National Conference on Energy in Chicago concluded that, depending on the amount of oil lost and the state of U.S. reserves, eight million people would be thrown out of work, half the cars on the road would be permanently parked, forests would disappear as people cut wood to keep warm, and economic growth would disintegrate as finding food became a top priority.

Short of such a nightmare, the U.S. remains perilously dependent on OPEC policy decisions, says William Randol, a vice president at Salomon Brothers in New York. "We may have turned the corner in improving our long-term situation, but OPEC will still be a major threat for at least the next five to 10 years," he says.

The new Energy Security Corporation, set up under the Energy Security Act, is expected to contribute greatly to the long-term solution. It's authorized to spend about $20 billion in the next five years to encourage the production of synthetic fuels (principally from coal and oil shale). The government corporation will make loans, offer loan, price and purchase guarantees, help to fund joint ventures, and even build synthetic fuel plants itself, using a promised $68 billion over the next dozen years. The short-term goal is to produce 500,000 barrels of oil a day by 1987—at an initial cost of $35,000 a barrel by the administration's own reckoning—and two million barrels by 1992.

"Whatever figure the government comes up with, tack five years onto it," says Barry Good, managing director of Morgan Stanley & Company, the New York investment bankers.

Such pessimism is well-founded. Even with government-backed loans, the economics of most synfuels plants will be risky, according to policy analysts at David L. Babson & Company, a Boston investment house. The plants cost from about $1 billion to $3 billion each, and the procedures for synthesizing the oil and gas are still poised somewhere on the technological fron-

tier. New technologies have an unhappy habit of costing more than forecast; the Rand Corporation estimates that such cost over-runs are typically 250 percent and frequently 500 percent.

Planning or design errors could be disastrous. Howard Homeyer, executive vice president of Texas Eastern Corporation in Houston, which is studying three major plants, all involving the conversion of coal to gas, says, "We're looking at multibillion-dollar projects whose value exceeds the total assets of the company. Government assistance is crucial."

The government is planning plenty of assistance, but so far favors synfuel production from coal rather than from oil shale, mainly because coal has greater political support and an established market value. "The manufacture of oil and gas from coal will be considerably more expensive because the technology is more complex," says Frederick W. Camp, Sunoco's synfuels technology manager. Already about 500,000 barrels of oil have been produced since the mid-1970s from oil shale for use in utility boilers and jet planes. The technical groundwork is being laid, but "oil shale is a dark horse," says Alvin Weinberg, director of the Institute for Energy Analysis, in Oak Ridge, Tenn. "To stress coal over oil shale would be a national policy mistake that could turn out to be very costly."

The Energy Department is proceeding with coal, however, and expects to complete testing at its huge experimental pilot plant in Catlettsburg, Ky., this fall. The plant recently began producing a high-grade crude oil that can be refined into gasoline or heating oil. Partners in the government project include Ashland Oil, Mobil, Standard Oil of Indiana and Conoco. A second experimental plant is now operating in Baytown, Tex. Its goal is to convert more than 250 tons of coal into 600 barrels of oil a day.

Business is far more ambitious. Exxon Corporation recently speculated that 150 oil shale plants which could produce 15 million barrels of synthetic fuel a day by 2010 could be built in the West. The idea has not been warmly received. Senator Gary Hart (D-Colo.) called it "outrageous," and Governor Richard Lamm said it was "unrealistic." Environmental officials said it was simply impractical to provide enough water for the expected population increase.

Yet, says Jane Quimby, 54, who has just started her second term as mayor of Grand Junction, Colo., which would be a focal point of synfuels development, "It's going to happen anyway. It would help if people in Washington (who will lease the federal oil shale lands to private firms) would come here and get a feel for the country before making their decisions. With enough information and time, we could prepare for the influx of people and alleviate environmental concerns."

David McLean, editor of the local newspaper, agrees that oil shale development is inevitable, but wants the companies to "avoid raping western Colorado."

In time, full-scale production of synfuels could free the U.S. from OPEC dependence. Exxon Chairman C. C. Garvin, Jr., says the country has almost one trillion barrels of oil locked inside its vast coal and oil shale deposits, more than all the oil of the OPEC nations combined. A two-billion-barrel a day operation could slice $22 billion off the nation's annual oil import bill, which was $70 billion in 1979 and is likely to surpass $90 billion this year. But the chief problem is time. Plants will take about eight years to complete—two years to obtain operating permits, four years to build, and two to start up—and that timetable assumes no serious delays from environmental challenges. An Energy Mobilization Board might have speeded up the process, but the one President Carter sought has been mired in a congressional conference committee. "Even without some kind of fast-track device," says DOE's Sawhill, "we plan to proceed with synfuels, but progress will be slow."

While artificial fuels need time to develop, natural gas, which is often found in the same fields as oil, could cut oil imports by 8 to 15 percent if all the homes and industries that could shift to gas did so. The switch would save an estimated 1.2 million barrels of oil a day. Despite the current surplus, supplies are uncertain. Only 200 trillion of the estimated 1,300 trillion cubic feet are proven reserves, and while 13,000 successful gas wells were drilled in the U.S. in 1978, "we're going to have to drill 20,000 to 30,000 successful wells a year by 1985 just to hold production steady," says David Foster, president of the Natural Gas Supply Association.

PHOTO: JOEL W. ROGERS—UNIPHOTO

The pipeline snakes its way across Alaska's frozen terrain.

The ending of the two-tier pricing structure last December may help to increase supplies. Under that system, the price of gas sold outside the producing state was controlled. The same gas sold inside the state was not. The result was that producers got more for their gas inside the producing state

than they did from interstate customers. A few producers just turned off their wells. Under the decontrol act, prices of natural gas, like oil, will gradually rise until 1985, when all controls will end.

But the lifting of price controls may not have the desired effect. When President Carter finally agreed to decontrol crude oil prices, the oil companies were expected to leap into exploration and drilling for the oil that was not profitable to produce under the old price controls. The companies did indeed leap, but mostly they landed in "over-the-hill" fields whose production

PHOTO: BRUCE McALLISTER—BLACK STAR

Mayor Quimby: Bracing for the synfuels.

has been falling nearly 4 percent annually since 1973. At the same time, new oil is harder to discover. "You don't find too many Prudhoe Bays," says Exxon U.S.A. exploration manager J. R. Jackson, referring to the Alaskan liquid gold mine discovered in the early 1970s that added 10 billion barrels to U.S. resources. Despite occasional finds, such as the recent one in the Overthrust region of the Rocky Mountains, most of the U.S. has been surveyed, and exploration in what were once viewed as promising areas has turned up negative results.

What unexplored territory remains is locked up in the 760 million acres of wilderness preserves, which the federal government is reluctant to open up to drilling. Under current timetables, some of the most promising Alaskan lands won't be leased for exploration until the late 1980s, says Paul Hoenmans, executive vice president of Mobil's exploration division. Government-owned lands hold up to a third of the total oil under U.S. soil, estimated from 50 billion to 127 billion barrels, yet 87 percent of the area is closed to mineral exploration. Says Robey Clark, president of the American Association of Petroleum Geologists: "Our country refuses to develop its own natural resources at a pace consistent with national energy goals."

U.S. crude oil production, now running at 8.6 million barrels a day, is expected to decline slowly over the next few years. "We aren't going to get the quick kick in production we had been led to expect," says an Energy Department official. For the record, the department predicts production will drop to about eight million barrels a day by 1985, but agency sources say that figure may fall below seven million barrels. Exxon believes that by 1990, production may skid to six million barrels. "All of us will be happy if we can just produce an amount equal to what the country consumes daily," says Exxon's Jackson.

Therein lies a mathematical quandary. Even if major new oil and gas fields are discovered, they will only act as a delaying mechanism in the struggle for energy independence. The reason is that despite conservation efforts, U.S. energy consumption is rising exponentially. What that means is that all future growth is based on previous growth, and a few doublings can result in enormous numbers. The demand for electrical power in the U.S., for example, will double over the next 10 to 12 years. The amount of electricity that will be used in those years will about equal the entire amount of electricity consumed since the light bulb was invented in 1879. (Exponentially, each doubling is about equal to the sum of the previous doublings.)

The problems inherent in depending on a finite resource for energy also apply to coal, which poses serious environmental threats and health risks, although public commitments to the expanded use of coal have been part of the energy rhetoric since the 1973 embargo. Despite President Nixon's Project Independence, aimed at turning the U.S. in the "Saudi Arabia of coal," mine production has consistently fallen short of capacity. A record 770 million tons of coal were produced in 1979, and output is expected to reach 800 million tons this year, but both figures are 100 million tons or so below full capacity. President Carter promised at the Venice summit to double the use of coal by 1990. The coal industry says it is ready to boost production, and a recent Harris poll found that 69 percent of respondents favored increasing the use of coal despite the health and environmental risks.

The latest environmental threat is posed by acid rain, created, some scientists maintain, when sulfur and nitrogen particles from power plant and factory smoke stacks combine with water in the upper atmosphere. While an accelerated synfuels program could dramatically increase the use of coal, environmental concerns and unknowns have slowed the once-ballyhooed conversion of oil and gas fired plants to coal, thus deflating the potential market. The conversion of coal to oil and gas products will create similar ecological problems.

"The coal situation is frustrating," says Carl Bagge, president of the American Coal Association in Washington, D.C. "One ton of coal can be converted into at least two and possibly three barrels of oil. Thus, half the nation's present coal production represents about one billion barrels of oil, a third of current U.S. imports."

DESPITE its environmental costs and health risks, coal is still viewed by many energy analysts as the most logical bridge fuel until solar and other renewable sources such as wind, water and biomass become economically viable—conservatively, at least 25 to 30 years away. While the sun can provide hot water and heating on a limited scale, President Carter wants solar power to supply 20 percent of U.S. energy needs by 2000, a goal most experts consider unrealistic. "We should not fall into the trap of overselling ourselves on solar," says Representative Mike McCormack (R-Wash.), chairman of the House Energy Research and Conservation Subcommittee and author of much of the solar development legislation. "We've developed a solar energy cult that has distorted what we can expect from this resource."

While industry and government laboratories are testing more than 1,900 applications of solar energy and about 350 companies now produce solar equipment, dramatic breakthroughs are wishful thinking. Says Rep. Richard Ottinger (D-N.Y.): "An estimated $1.25 billion a year through 1986 would be needed to meet the 20 percent goal, and DOE intends to spend

"WHAT A DIFFERENCE A DAY MAKES!"

MARCELLAS DAY,
ÆTNA LIFE & CASUALTY

"Marcellas Day and I bumped into one another nine years ago. We've been working together ever since.

"I'm a tax attorney. I do everything from forming professional associations for doctors to handling tax plans, profit-sharing plans, and life and health insurance plans for both large and small corporations.

EDWARD PEINE,
HOUSTON LAWYER

"It's funny. People think you can do the whole shebang yourself. But frankly, in this business you have to work with an insurance and estate planning specialist.

"I insist on working with Marcellas Day, because he's the insurance expert and he's a tireless worker.

"The fact is, I could turn this business over to any one of many life insurance agents, but I'd end up holding their hand and doing 9/10ths of the work myself.

"After nine years I think it's fair to say that a better life insurance agent is unknown to me.

"And I think it's equally fair to say that it's only natural Marcellas Day works for an organization like Ætna Life & Casualty."

—Edward Peine, Partner, Mallia & Peine, Houston, Texas.

This is the way a lot of our customers feel about their Ætna representatives. Why not look us up in the Yellow Pages and try us on for size.

Ætna
LIFE & CASUALTY

Ætna Life Insurance Company, 151 Farmington Avenue, Hartford, CT 06156

less than half that amount. A large credibility gap exists between the President's pronouncement on solar and the resources he has devoted to it."

Nuclear power's growth, meanwhile, is limited by safety risks and environmental dangers. The latest in a series of Senate reports on Three Mile Island, the nuclear plant that barely avoided a reactor meltdown last year, says the power plant probably can be cleaned up safely. The report agrees with previous studies that radioactivity from the Three Mile Island accident posed little threat to health and that the plant's owner, Metropolitan Edison Company, did not deliberately cover up the incident.

Still, an active, no-nuke lobby is highlighting the truly difficult problems of disposing of nuclear waste and the dangers of other accidents. Ninety plants are in the planning stages to supplement the 65 or so now operating, but the licensing procedure and safety inspections will be thorough and time-consuming. Says Senator Alan Simpson (R-Wyo.), "The industry will rise or fall on its own abilities. If (the companies) can't find a safe way to operate, they can't attract capital, and they won't."

Other energy sources—solar, wind and water—have a slim chance of attracting enough congressional adherents to fund development on the scale of say, synfuels. The power output of such renewable resources is simply too low to justify mammoth R&D projects.

In fact, each of the power resources the U.S. is relying on to wean itself from OPEC has its drawbacks—if not time, then environmental; if not expense, then scarcity. The one solution that could produce substantial cuts in imports in the next five years is conservation. A barrel of oil saved is the same as a barrel of oil synthesized or refined or imported.

Harvard's Yergin points out that conservation should not be linked to doing without or cutting down, all negative connotations. Instead, conservation, he says, is really an alternative energy source of infinite supply and minimal cost. The need to conserve is clear; if consumption grows at 7 percent a year the U.S. will run out of known oil reserves in 28 years.

Through conservation, he says, "billions of dollars will be saved, the environment will be less strained, the air less polluted, the dollar less pressured, and OPEC dependence reduced. These are benefits that Americans should be only too happy to accept." □

Columbia has been giving industry fits for over 13 years.

Industry and business of all shapes and sizes find that Columbia fits them just fine. Businesses with big names like G.E., Head Sportswear and Subaru. And businesses with big ambitions, perhaps like yours. Nearly 1,000 businesses have already located in Columbia. They've all found the fit they need in Columbia. For the best of reasons.

Columbia offers an unmatched variety of office or industrial space from 300 to 170,000 square feet in Columbia's lakeside downtown or in one of 10 business parks.

Columbia provides the support services and facilities demanded by any growing business. But more than that, it offers good housing values, good schools, and all the amenities that make the living as good as the working.

If your business is looking for a fit, write or call Pat Creaney. You might try Columbia on for size. Telephone (301) 992-6044.

C. Patrick Creaney, Vice President
The Howard Research and Development Corp.
The Rouse Company Building
Columbia, Maryland 21044
(301) 992-6044

Please send me full information on
☐ office ☐ commercial ☐ industrial opportunities
in Columbia, Maryland

Name ____________________
Company ____________________
Address ____________________
City __________ State ____ Zip ____

Consider Columbia, Maryland.

"Sometimes I'll tell 'em, hey-I'm not doing this for my health- I'm doing it for yours!"

Edith Whatley, Industrial Hygienist, Texas Division, Dow Chemical U.S.A.

For many years, Dow has monitored its work environments to ensure that employees are not exposed to harmful levels of chemicals or noise.

"Before the shift begins," says Edith Whatley, "I'll outfit the employee with portable monitoring equipment—pumps, filters, charcoal tubes, liquid scrubbers—whatever his job requires.

"He may grumble at first, but as long as he's wearing those air samplers and noise mikes, I can monitor his exposure levels wherever he goes.

"Working in the plant pretty much suits my style. I can see firsthand just how the chemicals are being used, and how the workers are actually involved.

"If air quality or noise is a problem, I'll work with supervision to eliminate the cause. In the meantime, I'll recommend the employee wear protective equipment or somehow change the way he's been working.

"At Dow, we go by whichever exposure guidelines are more strict—ours, or government's.

"And that's important, I think, because people have to cope with stress every day. On the job and off.

"Like my jogging, it helps to know your limits —and stay within them."

DOW*

common/uncommon
sense/chemistry

Send for an informative 22-page brochure, "A Challenge to Fear," Dow Chemical U.S.A. Department M, 2020 Dow Center, Midland, Michigan 48640.

*Trademark of The Dow Chemical Company

Meet the Car Lovers

An elegant line of Polyglycoat car care products

Transform an old car into your own precious classic. Now you can apply these special products with confidence, because they come from the world's most famous name in car protection.

With the quality of Polyglycoat, you're sure to get the results you've always hoped for. The longer you keep your car looking new, the more you enhance the value of your classic.

Chrome & Metal Cleaner—Removes tarnish and rust stains; polishes chrome, brass and copper. **Tire Reconditioner & Cleaner**—Restores and brightens tires; wipes away grease and dirt. **Fabric Shampoo**—Cleans and freshens upholstery, rugs and velours. **Liquid Glaze**—Creates a high lustre and helps screen harsh sun rays. **Wash & Shine**—Add sparkle to your finish as you wash. **Liquid Cleaning Compound**—Cut through oxidation in minutes to restore lustre. **Vinyl Stripper**—Restores vinyl car tops and interiors. **Vinyl Finish**—To help prevent discoloration and preserve your vinyl longer.

Introduce your car to the car lovers…

POLYGLYCOAT

Available at New Car Dealer Parts Departments everywhere.
Selected products available at most Sears and JCPenney Auto and Tire Centers.

Who's Making Money
During the Recession

By Mary Tuthill

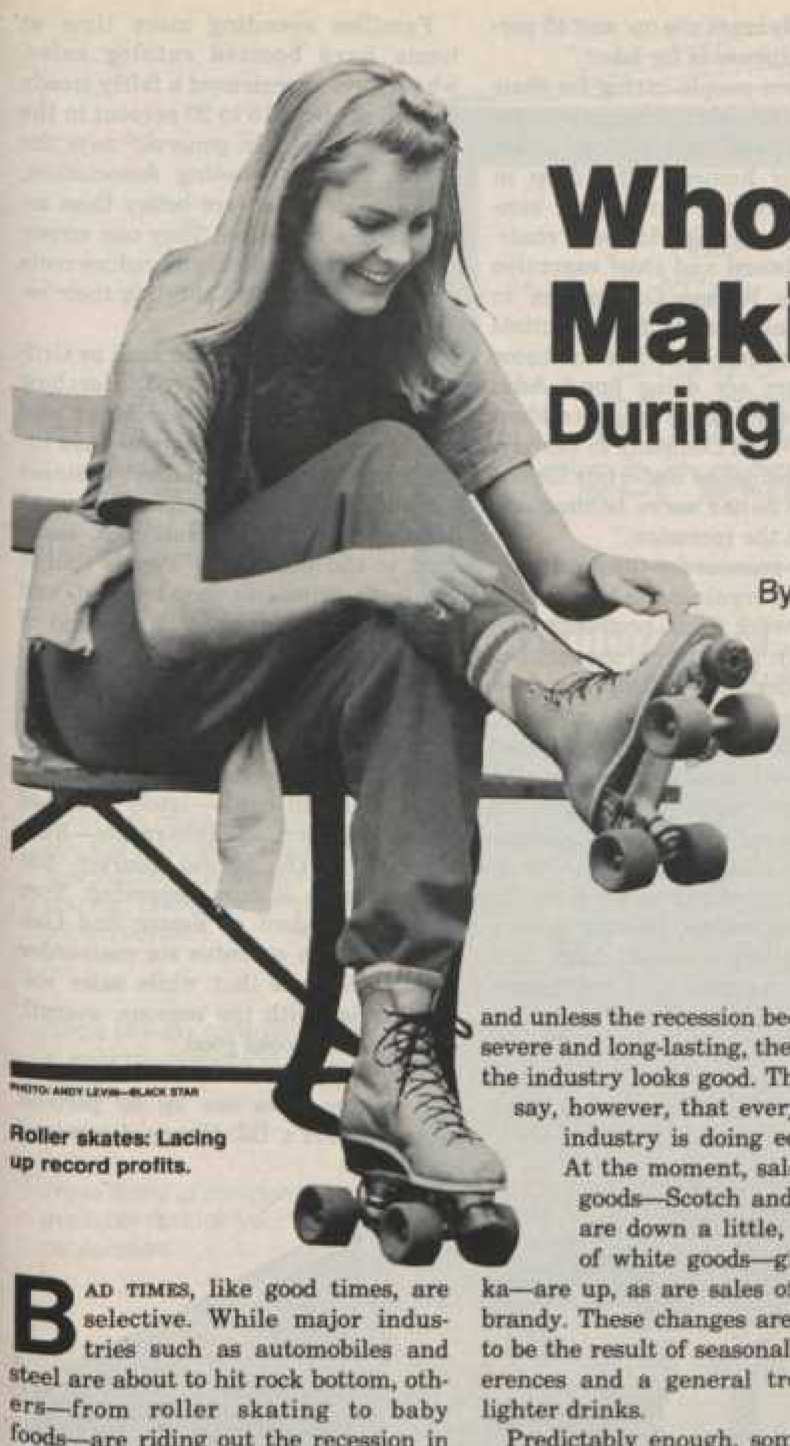


PHOTO: ANDY LEVIN—BLACK STAR

Roller skates: Lacing up record profits.

BAD TIMES, like good times, are selective. While major industries such as automobiles and steel are about to hit rock bottom, others—from roller skating to baby foods—are riding out the recession in fine style.

"People kid me," says Addy Bassin, a liquor store owner. " 'Where is the recession?' they ask. 'It looks as if everybody is drinking more.' " Although sales at Bassin's store in Washington, D.C., are spirited, he doesn't think the recession has driven people to drink.

"Prices are up, people are doing more home entertaining, and some corporate clients are cutting back on entertainment costs by giving cocktail parties instead of seated dinners."

Statistics from the Distilled Spirits Council of the U.S. for the first two months of 1980 confirm that the consumption of bottled spirits is up 3.6 percent over the same period in 1979, and unless the recession becomes more severe and long-lasting, the outlook for the industry looks good. That is not to say, however, that everyone in the industry is doing equally well. At the moment, sales of brown goods—Scotch and bourbon—are down a little, while sales of white goods—gin and vodka—are up, as are sales of wines and brandy. These changes are considered to be the result of seasonal drink preferences and a general trend toward lighter drinks.

Predictably enough, some other areas of the economy that have fared well in past recessions are in good shape this time around. Petroleum refining and related petrochemical industries, mining, service industries, government, aircraft, defense, electronic equipment industries and canning, although not immune to hard times, are rising well above the tide of generally bad news.

The Arab oil embargo accelerated the rate of petroleum exploration in the 1974-75 recession, and U.S. oil companies are showing unusually good profits, reflecting increased crude oil prices.

Production of coal, in greater use because of short supplies of oil, is up 10.5 percent in the first five months of 1980 compared to the same period last year. President Carter's recent order to all federal agencies to survey their oil and gas-burning facilities and prepare plans for converting them "to coal and other alternative fuels" will ensure greater profits for the industry and for coal carriers.

Defense industries seem perched on the edge of a boom; increased concern for national military preparedness should, in the words of a Northrop Corporation spokesman, "be an insurance policy for the industry against recession." The research department of E. F. Hutton reports that utilities, food, tobacco, drugs and cosmetics industries are in good shape. While automobiles, major appliances and many clothing items are suffering, service and repair industries are doing well, as are shoes and sportswear.

High technology companies, particularly those doing quality research and development, are considered the major growth area. And, although growth may slow, it is expected to continue. But office equipment is too dependent on capital spending cycles to do well. "When the prime rate hit 18 percent, the small businessman, our customer, was horrified at financing something

for five years," says Raymond P. Kurshan, chairman and president of Management Assistance, Inc., a New York computer firm. Small business owners are keeping effective information processing machines longer to reduce costs, and revenue from Sorbus, the company's maintenance and service subsidiary, is up 29 percent.

Another service area which is holding up well is dry cleaning. People are buying fewer new clothes and taking better care of the ones they have. Also, more clothes are being made of natural fabrics such as silk and wool, which most people find look better when cleaned professionally. "This far into the summer, we're doing better than anticipated," says Jack V. Woods, vice president and manager of Benhill Cleaners in Atlanta, Ga. "This time of year all cleaning is slower, but otherwise we haven't felt the recession, and we're very optimistic that things will pick up in the fall."

It is to Benhill's advantage that it is a relatively small operation. The owner of one of the largest dry cleaning companies in Chicago, who doesn't wish to be named, says: "The mom-and-pop operations are able to cut costs, but the bigger you are, the harder it is. Supply costs are up, and 45 percent of my expense is for labor."

Not only are people caring for their clothes, they are also having their appliances repaired and taking better care of their homes. "The drop in building is certainly hurting our lumber business," says Ed McNeely, chairman of the board and chief executive officer of the Wickes Corporation in San Diego, Calif., which has 53 outlets for the do-it-yourselfer. "But the home repair centers are doing fine." Adds Arthur Mitchell, sales vice president at Hugh M. Wood Company in Denver, Colo., which supplies materials for the handyman: "So far we're holding our own through the recession."

One of the reasons for the recent upsurge in home repair is the high cost of having the work done professionally, says McNeely. In addition, the number of products designed to help the amateur do a competent job has exploded in the past few years. "There is a lot you can do with plastic plumbing pipe now that once would have taken too much equipment and skill for the average person to tackle," he says. Also influencing homeowners to work on the house—adding rooms, refacing the exterior, installing new kitchens and bathrooms, painting and wallpapering—are the high price of gasoline, which has kept more people at home more, the high cost of new housing and the inflation-proof investment a home represents.

Families spending more time at home have boosted catalog sales, which have experienced a fairly steady growth of about 15 to 20 percent in the past five years. "In general," says the Direct Mail Marketing Association, "mail-order firms fare better than retailers in a recession. They can screen out marginal markets and reduce costs without significantly affecting their response rate."

While a few companies such as Griffin, Ltd., have foundered, Horchow Mail Order, Inc., whose elegant and costly ornaments and apparel have little competition, reports that business is fine. "There are a couple of reasons for that," says Tom Holzfeind, assistant to the president. "People find it more convenient to shop by mail, and our customers represent a segment of the population not much affected by economic slowdowns."

Most mail-order houses report that restrictions on the use of credit cards—lately loosened by the Carter administration—hurt business in the second quarter, but sales volume is now improving. Tom Foster, president of Foster and Gallagher, which operates six mail-order businesses, says that while sales volume varies with the seasons, overall, business still looks good.

But it's boom times for L. L. Bean, Inc., whose sales are up 40 percent over last year's. Bill Henry, director of

PHOTO: WERNER WOLFF—BLACK STAR

Houses such as this one in the $250,000 bracket on Lloyd Point, Long Island, still find a ready market.

advertising and marketing, attributes the major boost to the popularity of the "preppie look," tailored casual clothes that are a staple of the Bean catalog.

The seed and nursery business has been helped by more people spending time at home. "Our sales have increased steadily over the past few years," says William D. MacDowell, president of the W. Atlee Burpee Company, "and our records for the first months of 1980 indicate that this is going to be a record year. In a recession, those who garden do more of it; others garden only in a recession."

The number of households with food gardens is expected to increase from 33 million in 1979 to 39 million in 1980. While flower gardening has remained at a fairly constant 39 percent of households for the past few years, this year 40 percent of households are expected to improve the appearance of their homes by growing flowers.

Those people without green thumbs buy flowers. Florists' Transworld Delivery, the oldest and largest intercity retail florist firm, reported sales of $315 million last year, the highest in the organization's 67-year history. Occasions that call for flowers—graduations, marriages, births, illnesses, holidays, deaths, anniversaries and simple expressions of love and friendship—are immune from recession.

Baby food and other baby items seem fairly recessionproof, producing "another record year" for Gerber Products Company—sales of $600 million in 1979. Among the reasons for this booming business, says Arthur J. Frens, chairman and chief executive officer, is a 4 percent increase in the number of births in the 12 months ending January 31, 46 percent of which were the mother's first child.

In addition to baby food, the company's sales of clothing, nursing items and other products and services are all up. The company began during the depression of 1929, but managed to get off to a sound start. "Historically, we have found that in times of recession baby needs are the last to go," says John Whitlock, the company's director of public relations. The growing number of working mothers has also helped to boost sales of convenience products such as disposable diapers.

PHOTO: DOMINIQUE BERRETTY—BLACK STAR

Recession or not, babies still eat well.

The pet industry, including motels, is booming.

PHOTO: BLACK STAR

WORKING MOTHERS are also the reason that sales of maternity clothes are booming while clothing sales in general lag. Many of these women have more money to spend on maternity clothes that will keep them looking fashionable until near the end of pregnancy. Lady Madonna, a New York chain of 90 maternity stores, expects 1980 sales of $20 million, a 33 percent increase over last year. And Pageboy, based in Dallas, shows a 33 percent sales gain in the first quarter of this year.

Just as families are not cutting back on baby needs, family pets aren't feeling the pinch either. Pet food sales, which over the past few years have amounted to more than the combined sales of baby food and dry cereals, are still rising. Sales for 1979 were $3.3 billion, an increase of about $280 million over 1978, and the industry is expecting another good year.

Vacation and travel are still part of most families' plans, but patterns are changing, causing some segments of the industry to prosper while others suffer, says the Travel Industry Association of America. Recent surveys done by the organization show that the gasoline crunch of 1979 has had a lingering effect, taking a toll on vacation spots far off main highways. The surveys also indicate that more people are striving for the perfect vacation—an exciting change of scene with first-class accommodations—and will often take a deluxe week or long weekend instead of a more modest three-week vacation. First class is doing well, as are economy arrangements, but the middle ranges are finding fewer takers. Overall, the industry is not hurting because the declining dollar has brought an unprecedented number of free-spending foreign tourists to the country.

While the number of people who seek vacation pampering has increased, those scaling down their recreational expenses have contributed to good returns for the manufacturers of fishing gear. "We're not only holding

our own, we are up slightly this year and expect good returns next year, too," says John M. Charvat, president of the Zebco Corporation. "People are finding out what an economical activity fishing is."

People are also economizing on necessary expenditures like transportation. While car sales wilt, sales of motorcycles, mopeds and top-line bicycles are surging. Moped sales for the first half of 1980 point to a better year than 1979, when 325,000 mopeds were sold, and Steyr Daimler Puch in Stamford, Conn., reports a 30 percent increase in bicycle sales in the past year.

An even more inexpensive means of transportation is roller skates, which also double as weekend entertainment. "What's happened is that we have a whole new market," says Gordon Ware, president of Ware Brothers Chicago Roller Skate in Chicago, Ill. "Instead of just the 6 to 16-year-olds, we have added the 18-to-40 bracket, and many joggers have switched to skating because it is less jarring to the body."

Ware doesn't expect the fad to last forever. "Sales will slow down when the fad is over," he says, "but we don't expect a big change because it is good clean fun and it challenges young people to use skates as a means of transportation. And a lot of older people turned to skates during gas shortages and the New York transit strike."

Selected areas of the real estate business seem unaffected by the recession. While the buyers of medium-priced homes seem to be waiting for mortgage money to loosen up, sales of luxury housing are still going strong. "There are more buyers for the highest priced homes than homes available," says Craig Cordaro, general manager of Caril Burr, Inc., a Long Island brokerage subsidiary of Merrill Lynch & Company.

DAN GOULD, a real estate agent in the exclusive Belvedere-Tiburon section of Marin County, Calif., says that although the houses may be selling in the neighborhood of $800,000, sellers are shaving their asking prices a bit, and many sales (particularly to foreigners) are all cash.

Some are even a bit surprising, as was one handled by Edward Lee Cave, chairman of the luxury real estate marketing unit of Sotheby Parke Bernet International Realty Corporation's New York office.

Last year, Cave says, a Paris-based businessman saw a Fifth Avenue cooperative apartment listed in a Sotheby brochure and offered to buy it, sight unseen, for $650,000.

Vacationing employees and more cost-conscious employers are giving a boost to the temporary help business. Barry Wright, whose company, Temporaries Inc., has offices in 18 major markets throughout the country, is still expanding. Wright, who opened his first office in 1969, says: "We opened in a recession and grew during another one, and we think the future looks good for skilled temporary workers."

ALTHOUGH high interest rates have caused Wright to slow his expansion plans, he says business remains good because, in addition to the usual vacation replacements, employers are filling fewer job openings with permanent staff and are relying on temporary help to handle the workload during peak periods. "The companies that provide the best quality help will continue to do well," he says.

In addition to cutting back on permanent staff during the recession, many business people feel a greater need for more specific information to help them in making decisions. And the people who put out no-nonsense, inside information reports, many of which originate in Washington, D.C., are profiting.

"Newsletters in general are more recessionproof than most publications," says Ken Callaway, chairman of Capitol Publications. "When things get tight, our business booms. People need more specialized information." For Callaway, who owns 33 newsletters, this means a probable increase over the $5 million to $6 million which he says he grosses per year.

The same sense of business caution has also boosted sales of insurance. "During periods of inflation, people have higher incomes to protect," says a spokesman for the American Council of Life Insurance. "We're not going belly-up, or even hurting," says a representative of Connecticut General Life Insurance.

Guarded optimism is the prevalent attitude among business people who are doing well so far. They are watchful for possible changes in the economy or in consumer attitudes that could dim their prospects for pulling through the recession. And those business people who say the recession has brought them more business are the exceptions. In general the response is: "Although we are still doing all right, we'd be doing a lot better if it weren't for the recession." □

PARTY PLATFORMS:

By Vernon Louviere

Campaign '80

HARRY S. TRUMAN is best known for his quote about the kitchen, but he also said that "party platforms are contracts with the people." Whether the feisty former haberdasher from Missouri said that with tongue in cheek isn't known for sure, but one thing seems certain—platforms are about as valid to politicians as treaties are to the Russians.

Still, each four years the political parties go through the ritual of hammering out ponderous tomes that somehow fade away into the sunset after November. Four years later the party in power refuses to refresh its memory, but the losing party gleefully waves the platform around for all to see. Case in point: the 1976 platform of the Democratic Party.

"The rising cost of food, clothing, housing, energy and health care has eroded the income of the average American family and has pushed persons on fixed incomes to the brink of economic disaster.

"Much of the instability [of the economy] has been created by stop-and-go monetary policies.

"The high cost of credit has stifled small business and virtually halted the housing industry. Unemployment in the construction industry has been raised to depression levels and home ownership has been priced beyond the reach of the majority of our people."

The 1980 Democratic party platform will read somewhat differently, and if the Carter camp is victorious, there will be considerable softening on social issues. Already, Senator Edward M. Kennedy (D-Mass.) has staked out the liberal wing of the party and vowed a floor fight. Jimmy Carter, meanwhile, is positioning himself in the middle of the road to counter Republican candidate Ronald Reagan.

Quite possibly this brewing donnybrook will inject some life into what has all the built-in excitement of a siesta. With the nomination of a President and Vice President virtually a foregone conclusion, the delegates will be desperate for a diversion and the platform is all there is.

Political platforms are ephemeral statements at best. Despite the seriousness and dedication in which they are constructed (and the degree to which Presidents pledge to abide by them) they enjoy only a brief moment of glory. Certainly, in all of the millions of words written about President Carter's inability to get along with a Democratic Congress, few have bothered to recall these lines in the preamble of the 1976 Democratic platform:

"We do pledge a government in which the new Democratic President will work closely with the leaders of the Congress on a regular, systematic basis so that the people can see the results of unity."

It's probably safe to assume that as long as there are political conventions to select presidential candidates there will be platforms they can run on. Actually, with the de-

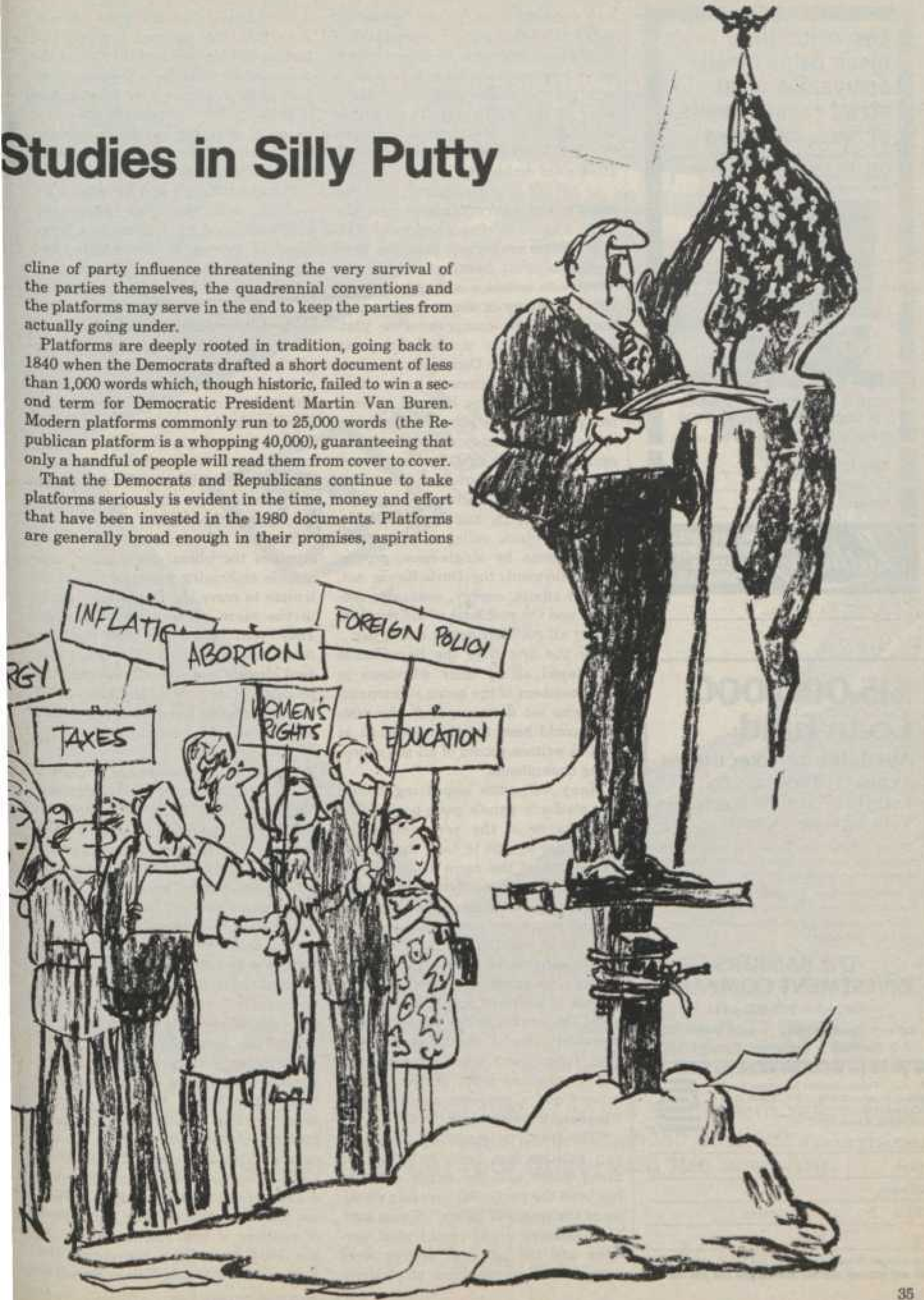
ILLUSTRATION: BOB WEBER

Studies in Silly Putty

cline of party influence threatening the very survival of the parties themselves, the quadrennial conventions and the platforms may serve in the end to keep the parties from actually going under.

Platforms are deeply rooted in tradition, going back to 1840 when the Democrats drafted a short document of less than 1,000 words which, though historic, failed to win a second term for Democratic President Martin Van Buren. Modern platforms commonly run to 25,000 words (the Republican platform is a whopping 40,000), guaranteeing that only a handful of people will read them from cover to cover.

That the Democrats and Republicans continue to take platforms seriously is evident in the time, money and effort that have been invested in the 1980 documents. Platforms are generally broad enough in their promises, aspirations



and condemnation of the opposition party to enable not only presidential candidates, but also senators, representatives and even some governors to embrace them. The platforms usually wind up being all things to all people or what GOP presidential aspirant Wendell Willkie in 1940 chose to call "fusions of ambiguity."

To the party faithful and the toilers in the precincts, platforms are serious business. Both parties conduct hearings around the country to collect a wide spectrum of views that may or may not receive attention in the comprehensive platforms ultimately drafted by party professionals. The Democrats this year heard some 600 witnesses in six cities, and the Republicans listened to testimony from 500 in nine. People spoke in behalf of handicapped workers, against the draft, and for less government regulation of business. The health aspects of nuclear power, separation of church and state, and the plight of black colleges were hammered home by single-issue groups. Unemployment, the Davis-Bacon Act, foreign affairs, energy, consumer concerns and the problems of the floral industry all got their day in court, too.

For the first time the Republicans videotaped all of their witnesses so that members of the seven subcommittees who sat down to draft the platform could have a sight-and-sound as well as written record of all the causes being championed.

Many witnesses appearing before the platform panels pooh-poohed the significance of the very vehicle in which they sought to have their views aired. One of the more eloquent was William E. Simon, Secretary of the Treasury in the Nixon administration. Now a policy adviser to Ronald Reagan, Simon said the contracts with the people alluded to by Harry Truman are not so much contracts as "long strings of eloquent loopholes." In his view, the tendency has been for most recent presidential candidates to try to "out vague" each other, thereby hoping to capture most of the middle ground and a generous share of both fringes of the electorate.

"The trend to vagueness in American politics has been building for many years and the major casualty has been the party platform as a significant statement of issues," Simon said. "In a country where presidential elections and the national destiny were once decided on the basis of platform issues (the organization of the economic system, the national banking system, tariffs, slavery and the fate of the union itself, to name a few), most recent party platforms have been studies in political Silly Putty—soft, shapeless heaps of meaningless rhetoric larded with impossible promises and intended to be all things to all people."

President Carter will be more comfortable with the 1980 Democratic platform since he had such a large hand in writing it. His hand-picked representatives on the platform committee outnumber the Kennedy forces by two-to-one. Apart from a concession to slow down nuclear development and other minor Kennedy proposals, the platform being presented to the delegates this month bears the unmistakable Carter imprint. While the President's blueprint for carrying the nation forward got through virtually intact, Mr. Carter's admonition to the drafting committee to write a platform that would unite his party somehow fell through the cracks.

Sections of organized labor and much of the liberal community have trouble embracing a platform that attempts to move the Democratic Party to the more conservative attitudes. They went before the 1980 platform committee convinced that the President already had virtually rejected the precepts of the 1976 platform while they were being forced to adopt a platform they couldn't stomach.

United Auto Workers President Douglas Fraser tried a sarcastic approach: "The 1976 platform was pretty good, but it hasn't been used yet." He further warned that if a platform, ill-tuned to Democratic aspirations, emerged, "we ought to practice saying President Reagan."

AFL-CIO Secretary-Treasurer Thomas R. Donahue asserted, "If the platform is to be nothing but rhetoric, public confidence in the political system will remain low, apathy will climb, and cynicism will prevail."

Drafting political platforms can be harmonious affairs or they can be sparked by rankling discord and acrimony. The extent to which conflict arises usually is determined by many factors, not the least of which are the personalities and views of the candidates. They may range from mere skirmishes to open warfare, often spilling out on the convention floor in full view of millions of television watchers. At the 1964 Republican convention the Barry Goldwater and Nelson Rockefel-

THE COMPANY WORKHORSE.

It's good business to use, consult, and depend on the Bell System Yellow Pages.
The complete purchasing guide for American business.
Take the first step. Let your fingers do the walking.

Bell
System
Yellow
Pages

ler forces clashed over civil rights and nuclear weapons control. While violence flared in the Chicago streets during the 1968 Democratic convention, delegates fought bitterly over a platform plank enunciating American policy in Vietnam.

Democrats traditionally are prone to argue more among themselves on platform language than are Republicans. In 1860, for example, several dozen southern delegates walked out of the convention when a proslavery platform plank they favored was rejected on the floor. Another Democratic donnybrook, in 1896, lead to the presidential nomination of William Jennings Bryan. During bitter debate on a plank which favored free and unlimited coinage of silver, Bryan rose and delivered his famous Cross of Gold speech. More recently, the Democrats livened proceedings at their 1972 convention by fighting over a minority report of the platform committee which proposed a government guaranteed annual income of $6,500 for a family of four. The proposal lost—as did George McGovern when he trotted it out during the campaign.

The 1964 Democratic platform was notable for its proclamation of President Lyndon Johnson's theme of a Great Society. Less noteworthy was a section in the platform that told the American people "the world is closer to peace today than it was in 1960." Tragically, that was not the case, as the war in Vietnam began to escalate. Ultimately, the bitterness over Vietnam led to Johnson's decision not to seek re-election in 1968.

THE GAP between promise and performance in the 1976 Democratic platform is most pronounced in areas dealing with national defense. Statements such as these are striking in the rereading:

"Our conventional forces must be strong enough to deter aggression in areas whose security is vital to our own. . . . The Navy must remain the foremost fleet in the world. . . . The Department of Defense can be operated more effectively and efficiently and its budget reduced, without in any way compromising our defense posture."

Whether candidates faithfully try to carry out the programs, goals and aspirations set forth in party platforms, or blithely ignore them, necessarily depends upon many factors. Jimmy Carter acceded to the liberal tone of the 1976 platform. If he is re-elected, President Carter more nearly will accommodate a platform he helped write than the 1976 version with which he publicly appeared to agree.

For his part, GOP nominee Reagan managed to keep tight control over platform deliberations. A wide-open brawl over the Equal Rights Amendment and anti-abortion planks did not develop. Although this was the first time in 40 years an ERA endorsement failed to make the GOP platform—creating a bad taste that would linger with many women and handing the Democrats a ready-made issue—Reagan pledged in his acceptance speech to work with the nation's governors to end "discrimination against women."

IN ITS GENERAL philosophical sweep, the Republican platform embodies most of the beliefs, hopes and aspirations that Reagan espoused in his long trek toward the nomination. It carries a ringing denunciation of the domestic and foreign record of the Carter administration.

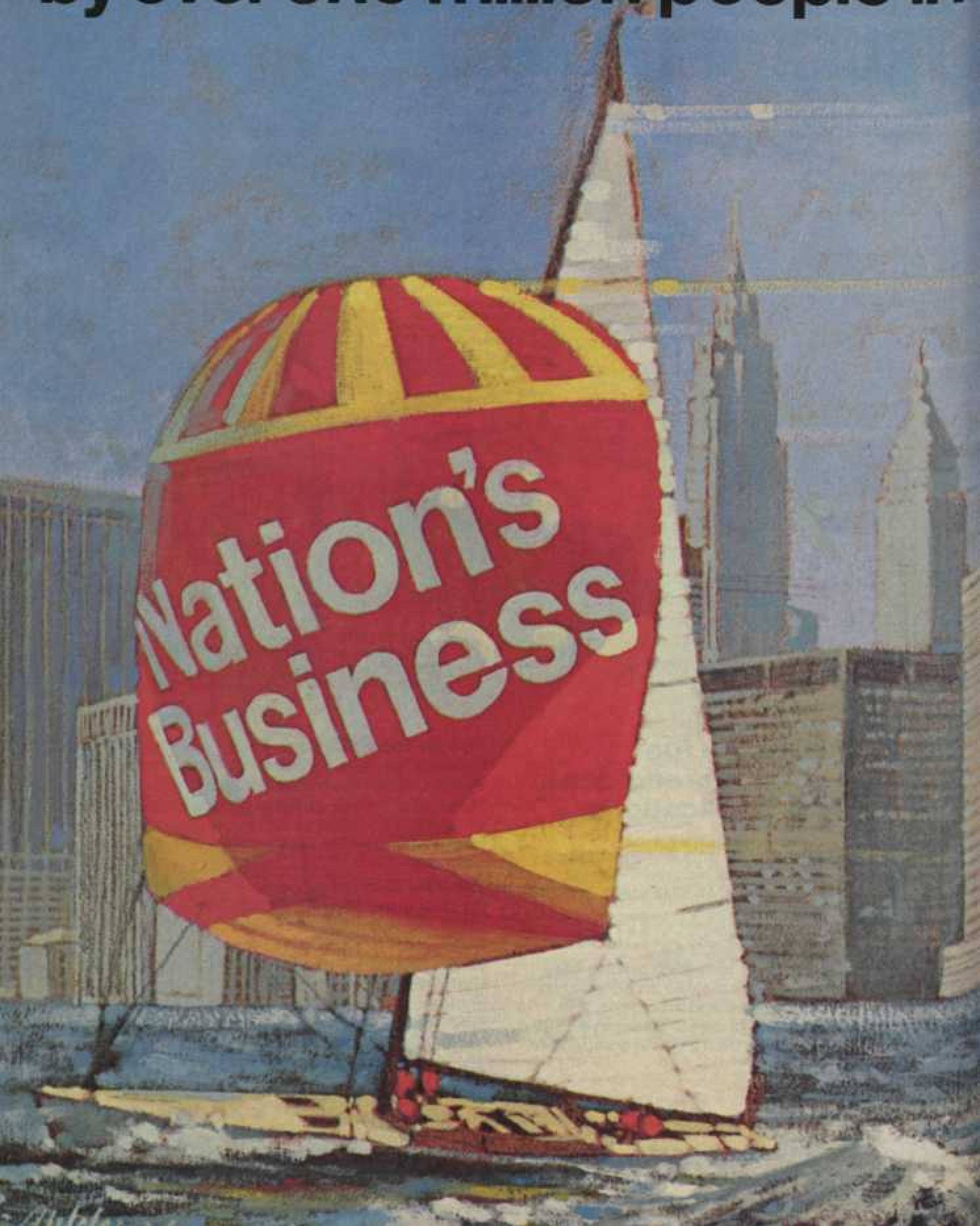
In the foreign policy and military area, the platform accuses Carter of slashing military spending when he should have been increasing it.

Lambasting Carter's handling of the national economy, the Republican document charges the Democratic President, through both inaction and deliberate policy, permitted or forced tax increases of more than 70 percent, or $250 billion, which directly increased the cost of living and the cost of hiring and producing. In keeping with Reagan's wishes, the platform calls for cutting federal income taxes by 30 percent over the first three years of a Republican Presidency.

In a sense, it is unfair to saddle any candidate with a platform which, by its very uncompromising nature, cannot be honored at every turn. The dynamics of modern day government make it impossible.

Senator Lowell Weicker, Jr., (R-Conn.), who tested the 1980 presidential waters briefly and then withdrew, thinks political platforms should slip into graceful retirement. Appearing before the Republican Platform Committee, he said: "It will not happen this year, and perhaps not for years to come, but one day we will dispense with this process and its product, upon which the doubts and uncertainties of our people begin to build even in advance of a presidential campaign, and upon which our candidates are compelled from the outset to construct their wobbly works of equivocation, compromise and moral confusion." □

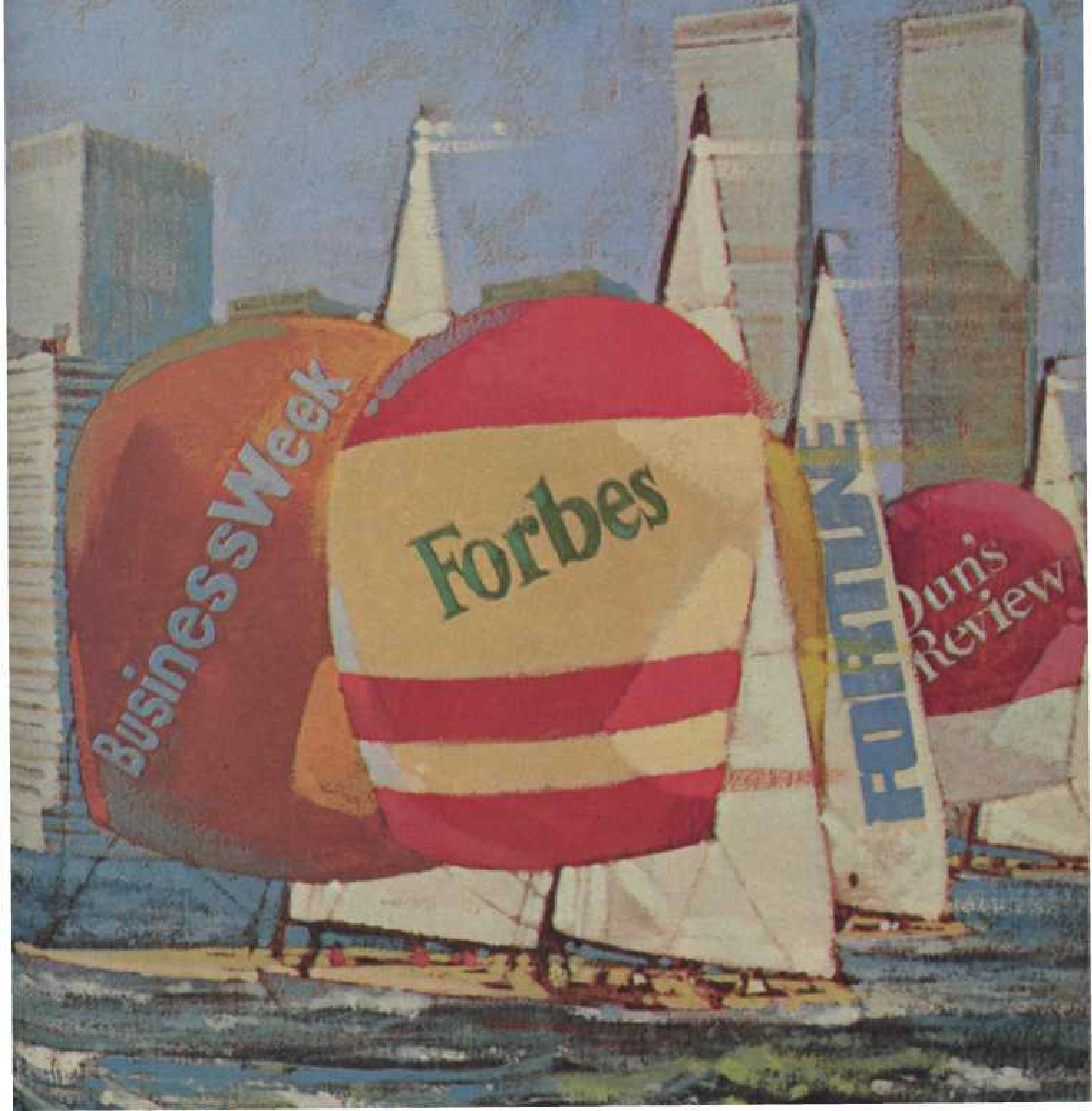
Only one business magazine
by over one million people in



is purchased management:

Nation's Business

With 1,265,000 paid circulation, Nation's Business sails away from the pack. (Compare: Business Week—820,000; Forbes—690,000; Fortune—670,000; and Dun's Review—260,000.) With a four color page cost per thousand of only $17.87, Nation's Business is the efficiency leader as well. And over 60% of Nation's Business circulation goes to *top* management. To chart your course to this responsive audience, contact Brett Perrine, Ad Director, 711 Third Avenue, New York, New York 10017. (212) 557-9887.



A Tough Mechanic For a Tough Business

By Roberta Graham

THE WIND WAS gusting at 30 knots one December afternoon off Sanibel Island, Fla. Frank Morsani, an experienced fisherman in Gulf of Mexico waters, knew he should keep an eye on the weather, but he and fishing partner Herb Overstreet had just hit a school of sea trout. They quickly began casting, neglecting to drop anchor. When the fish frenzy died down, however, Morsani and Overstreet found that the combination of wind and outgoing tide had trapped them in the shallows, high and dry, for an embarrassing seven hours.

It was one of the rare times in his career that Morsani, 49, has been stranded. In fact, Morsani has been riding high since 1971, when he became owner of Precision Motorcars (Mercedes-Benz) and University Toyota dealerships in Tampa, Fla. Since then the affable Morsani has acquired three other imported car dealerships in the Southeast and brought the entire collection of enterprises together under Tampa-based Automotive Management Services, Inc.

Because he sells Datsuns, Toyotas, and Volkswagens, as well as Mercedes and Jaguars, Morsani is deeply concerned about the threat of import restrictions. Not only would reduced imports affect his business personally, but he also contends that without competition from fuel-efficient foreign cars there is less incentive for Detroit to change its designs.

Despite the gloom in the U.S. car market, Morsani thinks his total sales this year will reach $53 million, reflecting 5,600 new and used car sales. "It's a seller's market," he says. "Consumers are more sophisticated and buying more sensibly. The buyer wants a car that embodies style, durability, status and good gas mileage, all qualities of an import."

All of his dealerships are modest in size. Each is set up as a separate corporation having two shareholders, and each rents its acreage from landlord Morsani, who likes to finance his acquisitions entirely from internally generated capital. Morsani has done well by fixing other people's problems. "I started out in this business as a mechanic because I like to fix things," he says. "Now I take troubled dealerships and fix them."

Overstreet, Morsani's executive vice president, says that the employees are a main concern, too. "He knows how to motivate people and enjoys what he is doing, especially when he can start a project and then delegate the responsibility for running it to someone else."

Morsani's policy is to promote from within; most of his 35 managers got their jobs through internal promotions. "I like to train people, to see them develop. It is the facet of the business that gives me the most satisfaction," he says. "We feel strongly that we must share with our employees so that they might also taste a piece of the steak."

At an early age, Frank Morsani seemed destined for the world of wheels. He was born in Brighton, Mich., but his family soon moved to Arkansas and then on to a 140-acre farm at Talala, Okla. (pop. 200), where Morsani displayed an early interest in anything mechanical.

"I always knew I wanted to be in the automobile business," Morsani says, recalling his first vehicle, a broken-down bicycle. Morsani, an instinctive salesman, earned his first dollar at the age of eight selling chickens at a fair. He bought the bike and repaired it.

By the time he was in his teens, Morsani was basically in charge of the farm; his father, a pipeline welder, was absent six months of the year. His chores kept him hopping, but there was always the urge to tinker with anything mechanical. He wanted a car so he decided to construct one with the parts from his mother's gasoline-powered Maytag washing machine.

"It was discarded and just waiting to be made into an automobile," he insists. The 13-year-old boy fashioned a frame out of two-by-fours, used the wheels from his red Flyer wagon, and the pulley and engine from the Maytag to build the first, and last, Morsani.

MORSANI LEFT THE HOMESTEAD in the last semester of high school, concluding that the education he was getting wasn't preparing him for college. He moved to Tulsa, 50 miles away, got a job as a gas station attendant and enrolled in Will Rogers High, where he met his future wife, Carol.

The next year he entered Oklahoma State University, but soon enlisted in the Navy, serving four years as an aircraft mechanic. He finished OSU in 1957 with a degree in automotive management and technology and went to work for the Ford Motor Company. Morsani served in various capacities in the field organization of the Jacksonville, Fla., district sales office of the Lincoln-Mercury Division.

"I gained a great deal of knowledge in those early years," Morsani says. "Then I worked in several states managing departments in dealerships, becoming familiar with the service

and financial parts of the business."

By 1971, Morsani was his own boss. He borrowed $240,000 from a bank, several thousand from family and friends, plus some accumulated savings and purchased Precision Motorcars and University Toyota. Combined sales that year were less than $4 million. Since then his work force has increased from 35 to 175, and sales from dealerships in Tampa and Lakeland, Fla., Lexington, Ky., and La Grange, Ga., have steadily increased.

"My banker wants to know why I'm always buying more dealerships. Well, it is my belief that a growing company is easier to run than one that is not. We will always be expanding and growing. But it is important that you know how to merchandise and sell your product," he says.

Through Automotive Management Services, Inc., Morsani centralizes many functions. The headquarters, for example, determines the level of inventory, usually 45 days, for each dealership, handles all the inventory financing and provides general management services.

Morsani, however, is a believer in participation. He discusses all major corporate decisions with his managers. "He's very fair about getting all viewpoints," says Overstreet.

Morsani reserves his recreation time for fishing. "Fishing is great therapy; it is an individual sport, something I can control." In the pursuit of trophies, he has angled from Alaska to South America; his best business trips include some time for fishing.

His paneled office reflects that interest. One wall features a school of fish, done in metal, another is taken up by a 75-gallon aquarium. On bookcases and tables there are reminders of memorable fishing trips, such as native handiwork by the Aleut Indians of Alaska.

Morsani spends more and more time these days in furthering the cause of small business. A director of the U.S. Chamber of Commerce since 1977, he is chairman of that organization's Council of Small Business, occasionally going to the White House to give the administration his opinions on small business affairs. Says he: "Inflation impacts more on small business than on any other sector because of the base which we have to spread our costs over. It is inconceivable that there are those in the administration who castigate small business as the cause of inflation. Small business is the victim rather than the perpetrator."

He charges that excessive government regulation thwarts small business. "For every corrective action the government takes, such as the White House Conference on Small Business," he says, "there is an equal and opposite government program which thwarts the good done."

Certain changes must take place to ease the burdens on small business owners, he says. The tax system, for one, is going to have to change "because small business people can't keep profits for reinvesting in their businesses. Whether you are a small car dealer or in tiddlywinks, the government taxes you to death."

Morsani is working with local, state and national business organizations to promote the passage of the Capital Cost Recovery Act as a means of encouraging investment in modern tools and equipment. This in turn will boost productivity, he contends.

If the administration decides to impose import quotas, Morsani says it would devastate his business. Such actions would have a multimillion dollar effect on the economy because they would limit consumer choices.

"Failing dealerships, whether domestic or import, are not healthy for the economy," he says. "There are certain things you risk under the free enterprise system. You have the opportunity to make a profit or you have the potential to go broke." But if the administration opts to restrict auto imports, Morsani predicts the price of cars will be driven up and the consumer will lose.

Roughly 50 percent of Morsani's time is spent working on issues and fulfilling trade association responsibilities. His absence from corporate headquarters was evident recently when he strolled through the showroom of his Mercedes-Benz dealership. "Hey, it must be payday," one of his managers quipped. "Frank is here."

With so much of his time spent building his business and with outside activities, Morsani insists on spending weekends at home with his wife, Carol, and when he can, with his two daughters and their husbands.

Even when playing gin with his wife, Carol, Morsani is a fierce competitor.

On any given day, Morsani rises at 5:30 a.m. to get in some reading before heading from his home in the Palma Ceia section of Tampa to his office several miles away. An avid reader, he urges his managers to stay abreast of business and industry news by reading major business magazines, several national newspapers, the local newspaper and current best sellers.

On his office bookshelf are the works of Milton Friedman, John Sirica, William Simon, and Theodore H. White. The selection also includes Andrew Wyeth and Robert Frost. Alongside are his college textbooks, worn reminders of the old days.

"You know, you can't forget where you came from. And basically, you always feel like you're the same person you've always been. You never suddenly change, no matter how successful you become. I'm just a mechanic. . . . I don't necessarily feel like I've changed hats. I fix things, and so far I've been good at it."

How does success set with the millionaire auto dealer? A majority of people equate success with material possessions, he says, but he doesn't. "My father was the most successful person I have ever known. The family was always provided for, he was extremely well-loved by his co-workers, contractors, and family. He did his job the best he could and was happy. That is my definition of success." □

To order reprints of this article, see page 33.

Meet some of the people who come to your house to talk about your business.

Watch news being made.

Watch every week when leading figures from business, government and the professions tackle some tough issues. Issues that affect you—energy, taxes, inflation, regulations, to name a few.

IT'S YOUR BUSINESS is where they not only take on the issues, they often take on each other. Then watch the sparks fly!

This lively, balanced television series is on more than 100 stations reaching over 80% of the country. Check your local listings for station and time. (If not available in your area, let your local stations know you'd like them to add IT'S YOUR BUSINESS.)

Make it your business to watch IT'S YOUR BUSINESS. It's news you can use. And profit from.

IT'S YOUR BUSINESS is sponsored nationally by Amway Corporation, Anheuser-Busch, Inc., and Loctite Corporation.

IT'S YOUR BUSINESS is produced by the Chamber of Commerce of the United States, publishers of Nation's Business and Washington Report.

it's your business


THE PEOPLES VOTE PARTY
UANC
KEMO

ZIMBABWE

Rich, Enigmatic, and Possibly Capitalist

By Bob Aaron

After decades of racial strife, civil war and economic sanctions imposed by the rest of the world, the newly independent nation of Zimbabwe is now courting foreign investment. And American and other foreign business people are, with some trepidation, coming to look over the opportunities.

Zimbabwe, the former British colony of Rhodesia, has much to offer. Next to South Africa, Zimbabwe's economy is the most developed in Africa, and the country is rich in natural and human resources. But its first Prime Minister, Robert Mugabe, 56, is a self-declared Marxist. And his government of 22 ministers is an amalgam of white-minority hopes, black nationalism, tribal rivalries, and political persuasions that spans the ideological spectrum. The combination worries potential investors, and the big question is: Can Mugabe produce a national climate conducive to trade and investment?

"Business is concerned about the character of the government," says L.V. DiLeo, director of commercial sales in Africa for the Douglas Aircraft Company. "Because Mugabe is a Marxist, business has a natural fear of nationalization."

Mugabe, who garnered 63 percent of the vote in Zimbabwe's elections last February and whose party now seats 57 in Parliament (compared to 20 for the whites and 23 for other black leaders), has attempted to quiet fears of any national takeovers. While his party's manifesto talks of a "socialist revolution" and putting all means of production under public ownership, he himself invites trade delegations to the country. Richard L. Lesher, president of the U.S. Chamber of Commerce, recently led a 26-member trade delegation to the nation. Mugabe declares that he will not interfere with private property but, he cautions, "everyone should exercise patience, for change cannot occur overnight."

Black-majority rule took 15 years to occur from the time former Prime Minister Ian Smith declared independence from England in 1965 in his efforts to preserve the power of the nation's 220,000 whites over its seven million blacks. The ensuing struggle produced economic isolation, moral condemnation by most nations and the formation of black-nationalist groups, principally Mugabe's own Zimbabwe African National Union (ZANU) and the Zimbabwe African People's Union (ZAPU) led by Joshua Nkomo. They formed a loose coalition during the 10 years of guerrilla warfare that preceded independence, directing their forces from outside the country. Inside Rhodesia, the moderate Bishop Abel Muzorewa formed the United African National Council (UANC) and signed an internal agreement with the Smith regime in 1978. That was rejected by the coalition, but Bishop Muzorewa was elected prime minister a year later. Not until last December did ZANU and ZAPU agree to a final settlement, which resulted in Mugabe's victory.

With the exit of Lord Soames, British provisional governor, and Prince Charles (right), Zimbabwe's independence became official.

Bishop Muzorewa, Lord Carrington, Sir Ian Gilmore, Joshua Nkomo and Premier Mugabe all signed the independence agreement.

Mugabe is now engaged in a balancing act on four fronts: He must control outspoken ministers like his party's Secretary-General, Edgar Tekere, who runs the manpower department but whose flamboyant statements often stray from government policy; he must pacify the guerrillas and the Rhodesian armed forces; he must accommodate the still-powerful white minority; and he must implement social change while at the same time stimulating employment and production.

So far, foreign investors get mixed signals from Mugabe's government. Zimbabwe television, for example, recently broadcast a documentary film on Cuba that lauded the Castro government's achievements, both economically and socially, and lobbed hostile barbs at the U.S. In addition, the air is full of unofficial ministerial warnings that the government intends to take a larger share of multinationals' "enormous profits." But David Smith, minister of commerce and industry and one of two whites appointed by Mugabe, dismisses the socialistic rhetoric as "hot air." A thriving private sector is vital to the nation's economy, he says.

STILL, SAYS Richard Sommerfeld of the Continental Illinois Bank of Chicago, which is involved in some short-term financing and foreign exchange arrangements in Zimbabwe, "we are waiting for the political and economic evolution. We need to determine the degree of control Mugabe has over his party and assess business confidence, especially among whites."

On close inspection, Zimbabwe's economy has sharp divisions. "The country really has two economies," a recent U.S. Senate report points out, "the rural African economy devastated by war and a richer, relatively developed economy based on the agricultural productivity of 5,000 white farmers, considerable mineral wealth and secondary industry that mushroomed as a response to sanctions."

Among the economy's pluses are:

- A solid manufacturing base. Zimbabwe produces 15,000 products now—mostly consumer goods such as clothing, radios and furniture—compared to 400 when it withdrew from the British Commonwealth.
- A vast storehouse of minerals including gold, copper, tungsten and chromium. Output rose from $64 million in 1964 to $252 million in 1978.
- A farm economy that has generated surpluses in a part of Africa frequently plagued by food shortages. Important crops include sugar, maize, coffee, cotton, wheat and tobacco. The Senate report notes that Zimbabwe could be "the breadbasket of the region, offering the impoverished black states an alternative to economic dependence on South Africa."
- A civil service trained by the British plus a skilled work force. Zimbabwe had 10,000 college graduates at independence, compared to 102 college graduates in Zambia when that nation won its freedom in 1964.
- A strong network of roads, public and private transport, communications and other support facilities.
- A strategic location on the western side of Africa well suited for regional business operations.

The underlying strength of Zimbabwe's economy is shown in the way it responded to economic sanctions by developing new industries to produce goods no longer available to it in the global marketplace, says Kenneth Towsey, charge d'affaires at the country's embassy in Washington, D.C.

Some Zimbabweans seem to look back with pride on the world's effort to isolate the nation economically—an effort that failed, they claim. A joke sometimes heard in Zimbabwe makes the point that if sanctions had lasted another 10 years, Zimbabwe would have landed a man on the moon.

AS IT STRUGGLES to reconcile conflicting ideologies and reassure Western business interests, Zimbabwe faces immediate political traumas posed by what Guy Erb, deputy director of the U.S. International Development Cooperation Agency, calls the three R's: resettlement, rehabilitation and reconstruction. The challenges are awesome:

- Resettling perhaps one million people displaced during the war, along with refugees who are streaming back into the country.
- Bringing under control upwards of 32,000 former guerrilla troops in the bush, whose aspirations for jobs and a decent livelihood must be satisfied.
- Rebuilding large portions of the cities and towns ravaged during the civil war.
- Merging into a single fighting force white security personnel who op-

erated as secret police during UDI (unilateral declaration of independence) and the black soldiers who fought under Mugabe and Nkomo to topple the Smith regime. General Peter Walls, former commander of the Rhodesian forces, initially presided over that integration. His appointment, sources say, was aimed at soothing whites' concern over their role in the military. That concern was a major obstacle to implementing the black-majority-rule government; until the two forces are one, they are a potential military threat to Mugabe's control.

Walls announced his resignation last month. Many observers view this as a blow to Mugabe's government.

• Coping with the fears of white farmers that the government will take their land. Mugabe has pledged that only underutilized and abandoned lands will be subject to such actions, but U.S. government analysts estimate that up to 25 percent of all white farms could fall into these categories. While no standards have yet been set for redistributing these lands, about 86 farms that were for sale have been taken over by the government.

• Preventing an exodus of the skilled white population. Recent estimates indicate that about 1,000 whites may be leaving the country each month, and that number may be on the upswing. On the other hand, newspaper advertisements urging Zimbabweans overseas to return and "carve out an extremely rewarding career" have drawn an estimated 7,000 responses. These advertisements are part of a strategy to head off a potentially crippling shortage of skilled manpower.

A clue to the type of government and business atmosphere envisioned by the Mugabe government may be found in the priorities set out in a five-year plan drafted by the civil service in anticipation of black majority rule and the end of economic sanctions.

THE $3.5 BILLION PLAN, which notes that "the development of the private enterprise economy is the basis for all else," focuses on rural development and education, power supply, transportation and communications, housing, health and other services. It targets a 3 percent growth rate during the first year, 5 percent in each of the next two years and 8 percent in the final two years, with employment forecast to climb 5 percent annually during the last 24 months.

These targets should be gauged against Zimbabwe's past economic performance. IDCA's Erb says: "The economy grew rapidly until the mid-1970s when it took a downturn due to the conflict and the sanctions. The economy has had negative growth, but this year it is expected to grow at 4 percent." Roadblocks that could make achievement of the plan's goals more difficult include a 3.6 percent annual birth rate—the average for Africa is 2.9 percent—which, if maintained, could drive the nation's population to 8.5 million in five years and more than 14 million by 2000. In addition, the country's inflation rate is running at 13 to 15 percent annually.

To fund its development efforts, the Mugabe government is shopping around for foreign aid, trade and investment. This year, the U.S. is pumping into Zimbabwe about $15 million in aid, with another $5 million to assist refugees. About $2 million is earmarked for reopening 159 rural health clinics; the balance is targeted for agriculture, job training and rehabilitation of war-ravaged areas. Next year, the U.S. will probably funnel $25 million to $30 million to Zimbabwe. Two $25 million installments under a separate housing program are also in the works.

But these monetary injections are

Thousands lined up at Inyanga, Mugabe's home region, to vote; about 93 percent of the population turned out.

PURCHASED BY OVER 60,000 EXECUTIVES!

A COMPLETE 8-PART COURSE IN EXECUTIVE SELF-DEVELOPMENT.

"EXECUTIVE SEMINARS IN SOUND"
Yours To Try For 15 Days...FREE!

Through these dramatic sound presentations you use your imagination and memory to "soak up" hundreds of guidelines to business success...to master your role as manager...to inspire new confidence in others...to motivate those who work for you...and to enjoy your own success.

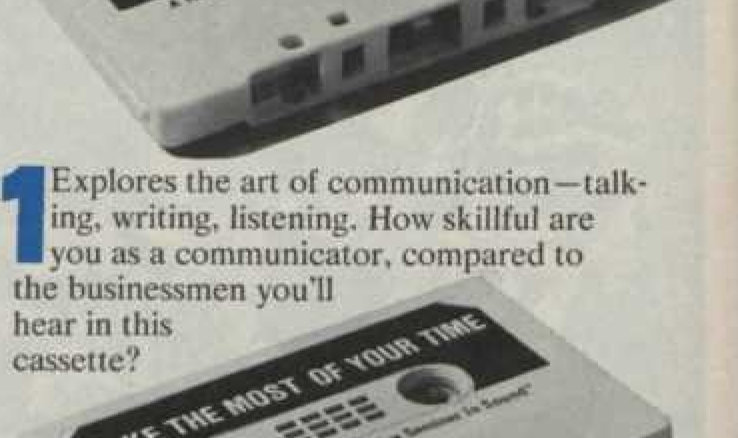
Realistic Dramatizations Put You In The Picture. Remember the days of radio drama ...where the vivid use of actors and sound effects enlisted the powerful aid of your imagination? You could close your eyes and "see" what was happening and it became indelibly etched in your memory. EXECUTIVE SEMINARS IN SOUND works on exactly the same principle.

Not A Series Of Lectures... The situations and people you will meet are as real as those you encounter every day in business. You'll "sit in" on actual problems as they unfold, listen to how they're mishandled, and then, through the advantage of "stop motion", a narrator will interrupt the action to point out errors, to explain what went wrong and to show what should have been done.

The Overwhelming Advantage Of Convenience... Cassettes are used on the standard cassette player that can be activated anywhere at anytime. At home during your leisure hours. Beside you as you commute to work. While traveling on a train or plane. Furthermore, they can be shared by others in your organization...even used for group training sessions.

Executive Seminars In Sound is a unique learning adventure which will enable you to explore, in real life dramatizations, these essential guides to business and management success.

1 Explores the art of communication—talking, writing, listening. How skillful are you as a communicator, compared to the businessmen you'll hear in this cassette?



2 Will help you capture wasted hours, turn them into productive effort so you can truly CONTROL your time.

While thousands of whites have left Zimbabwe, others are vowing to stay.

Mugabe, The Marxist Hybrid

For Robert Mugabe, the first Prime Minister of the new nation of Zimbabwe, none of the traditional labels seems to apply. He is, most Zimbabwe watchers agree, a hybrid, a new political entity best described as a pragmatic socialist.

The 56-year-old black leader, a former guerrilla-army chieftain with a taste for Saville Row suits, is somewhat of an enigma—a Roman Catholic who believes in Marxism, a philosophy that preaches atheism; a socialist who seems committed to preserving his nation's private-sector economy; a black nationalist who apparently wants to coax Zimbabwe's white population into working with his government.

He also, says a U.S. Senate aide who recently returned from a fact-finding mission to Zimbabwe, "is the best-educated leader in Africa."

A former teacher in Zambia and Ghana, Mugabe has earned six college degrees. He studied for three of them while jailed for 10 years by the white Rhodesian government of Prime Minister Ian Smith.

One of those diplomas is from the London School of Economics, where he received a master's degree in international economic law by taking correspondence courses. (Other LSE alumni: John F. Kennedy and Mick Jagger.)

Mugabe's brand of socialism—seemingly more a product of the classroom than of a clandestine underground organization—is a unique blend of Christianity, Marxism and African tradition. Still, says one U.S. government official, "Mugabe is committed to change. Some in his political party may speak more radically than he does, but no one in the party is more radical than he is."

Losing candidate Muzorewa was accused of using security forces as a private army.

paltry, many Zimbabweans grumble, compared with the $1.5 billion international fund talked about when Henry Kissinger was U.S. secretary of state. Under an international aid formula, the U.S. was expected to contribute $500 million over five years.

The U.S. Chamber's Lesher told government officials that the $22 million was remarkable considering that the United States is in a recession and the jobless rate is climbing. "Popular sentiment," Lesher said, "is not likely to produce an increase in aid for Zimbabwe or any other country. The small amount is not meant to convey a lack of interest in Zimbabwe by the U.S."

With increasing foreign investment, the country should not be on the foreign-aid dole too long. Adds Towsey: "We regard private-sector investment as more important than government aid in the long run, especially to the extent that this involves investment in enterprises that significantly employ labor."

While various U.S. business people have identified markets in Zimbabwe for machinery, mining equipment, electrical components, aircraft, farm implements, cars and other products, Lesher warns that Americans face strong competition from Japan, West Germany and other countries. While his group was in Zimbabwe, its members crossed paths with a similar delegation from South Africa.

Still, one businessman who made the trip commented: "We didn't come with an open order book. Our mission was to assess the situation. A good businessman doesn't jump in without taking a long, hard look." Leonard Fuller, a principal in the management-consulting firm of Ferguson, Bryan and Associates, Inc., of Washington, D.C., was more upbeat: "Never have I been to a country where I felt so positive."

In addition to coping with a fragile domestic situation, Zimbabwe must realign its relations with foreign nations. Nathan Federgreen, vice president-ferrous at Associated Metals and Minerals Corporation in New York, characterizes his impressions of Zimbabwe as "conservative not negative." After a recent trip to Zimbabwe, his reaction was that business and government officials are "generally cooperative, but the main thrust of their activities at the moment is political rather than economic."

Zimbabwe so far has balked at having close ties with the Soviet Union. Mugabe has at least demonstrated a commitment to lead his country. In his first speech after his election, Mugabe declared: "Surely, this is now the time to beat our swords into ploughshares so we can attend to the problems of developing our economy and society." ◻


CAROLYN HOLLINS KNOWS MORE ABOUT SAVING ENERGY THAN 3M DOES.
THAT'S WHY WE LISTEN TO HER.
Carolyn Hollins has committed her life to a field that affects all our lives. So, at 3M, we're interested in everything she has to say about energy conservation.
As an Energy Advisor with San Diego Gas & Electric, Carolyn is in daily contact with both the industrial and consumer sides of conservation issues.
Today, conservation specialists like Carolyn employ techniques and products from the exotic to the practical. Like an easy-to-apply 3M Adhesive Weather Strip and Scotchtint® Window Insulation Film.
And when more technology is needed, Carolyn will be among the first to know.
By listening to her, 3M can create more ingenious products for practical use. Which happens to be our life's work. At 3M, listening is more than just good philosophy.
It's vital to our future.
3M HEARS YOU
3M


When the question is how to communicate with your fleet...
Operating giant ships and oil rigs at sea requires a firm management hand from shore. That takes high quality, quick communications. Today, that means Comsat General, the company that provides modern ship-shore telex, telephone, facsimile and data communications via the remarkable Marisat satellite system.
Comsat General is supplying the advanced satellite technology to solve many problems. Marisat is just one example. We also operate Comstar satellites which relay high quality, long distance telephone calls nationwide. And we provide satellite services to collect environmental data for scientific analysis. If you've got a communications problem, we may already have the solution, via satellite.
Answers in orbit, via satellite.
From COMSAT General Corporation
950 L'Enfant Plaza, S.W., Washington, D.C. 20024

A Semi-prejudiced Lesson In TIRE Buying

10 Reasons to Visit NTW

1 We're Washington's largest tire chain. (Surprised?) Our sales will exceed 50 million dollars in 1980. That's twice as much as any other Washington based tire company.

2 We buy for less. Since we have more purchasing power we pay less than any other Washington dealer for Michelins, Continentals, Pirellis, Stratton, Goodrich, Kleber, and many more brands. Since we buy them for less, we can sell them for less.

3 We sell for less. We guarantee the lowest price in the Washington area. For 9 years NTW has been the dominant factor in price competition. Our prices are substantially below most other tire dealers.

4 We have the widest selection. Currently we stock 16 different brands of tires, not types, but **brands.**

5 We have the largest inventories. NTW's local stores are backed by an inventory of over 100,000 tires.

6 We have what we advertise. No *bait and switch* here.

7 Free mileage warranties. No charge for mileage guarantees on most of our steel radials. And it's the best guarantee in the industry.

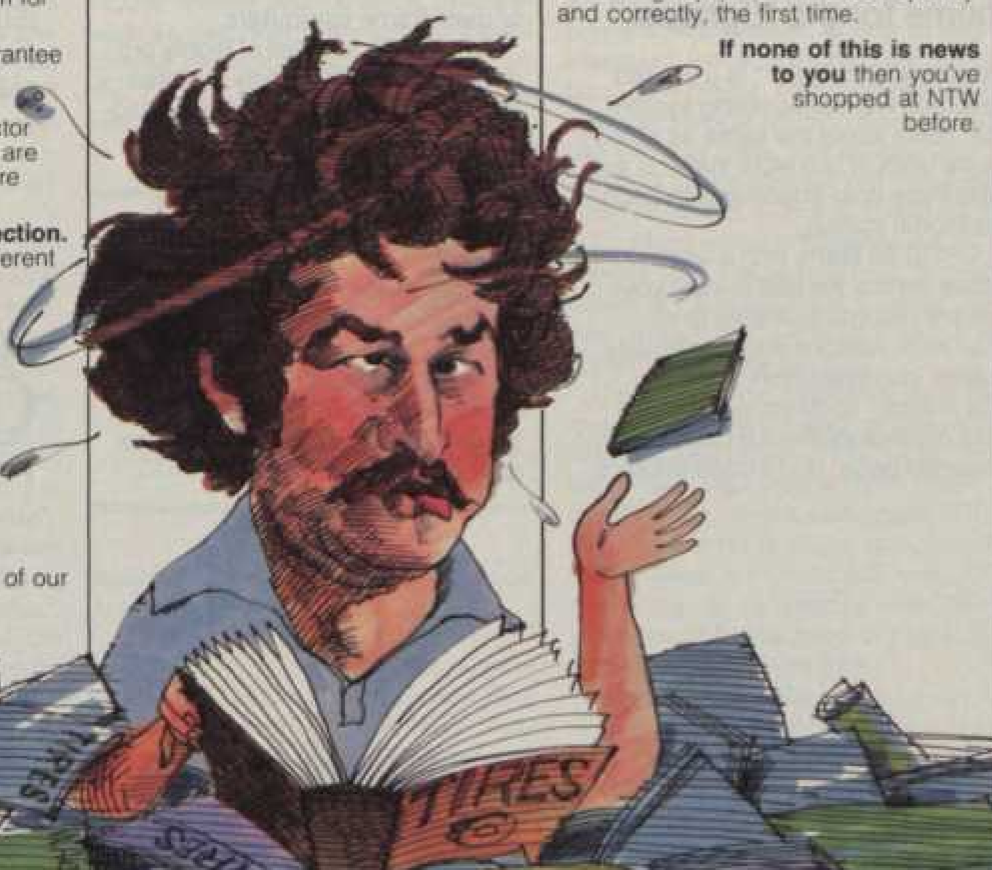
We also offer the least expensive tire insurance if you prefer protection against driving perils and road hazards.

8 Technical assistance. Most of our salespeople have college degrees and advanced training in tire technology. We can give you honest and accurate information regarding the handling, wear, safety mileage, and ride characteristics of every product we sell. You choose the best tire for you; not the best for us.

9 Trucks. In most cases, our tires come directly from the manufacturer in our own fleet of trucks. Transportation and other expenses cost us less, and the savings are passed on to you.

10 Service. Your tires are mounted free on most wheels, and we have the most modern, computerized balancing equipment. We do it quickly and correctly, the first time.

If none of this is news to you then you've shopped at NTW before.



D.C. AREA STORES

Shady Grove, Md.
9025 Comprint Ct. (301) 948-3050

Newington, Va.
7890 Backlick Rd. (703) 451-7610

Springfield, Va.
5258 Port Royal Rd. (703) 893-4210

Tysons Corner, Va.
1524 Springhill Rd. (703) 321-7811

Rockville, Md.
12174 Nebel St. (301) 881-6134

Beltsville, Md.
10745 Tucker St. (301) 937-4655

Forestville, Md.
7701 Penn Belt Dr. (301) 420-1155

Washington, D.C.
67 K Street, S.W. (202) 554-4605

Clearance Center
Alexandria, Va. (703) 971-9304

Clearance Center
Gaithersburg, Md. (301) 948-3052

Columbia, Md.
6810 Oakhall Lane (301) 596-0880

Fairfax, Va.
Opening Soon

Tires by NTW®
National Tire Wholesale

Ask someone who's been there

Hazeltine

Word Processing

Announcing OPUS 80™: The word processing theme for the Eighties.

Hazeltine OPUS 80™ is a shared resource word processing system that costs about the same as stand-alone units at two work stations and gets more cost-effective with each additional station.

OPUS 80 starts with a large active central file that makes your current records available to all your work stations simultaneously. It adds intelligent work stations, any number up to six, each with a dual presentation—full page display or partial page. Up to three printers may be shared on one system. A communications capability will let you tie into other word processors or main frame computers.

OPUS 80's long list of highly productive and user friendly features—tiltable anti-glare screen, high resolution characters, detachable keyboard, powerful text editing capabilities, formatting and merging features—goes beyond other shared resource equipment. And the price is comfortably lower than most other cluster systems.

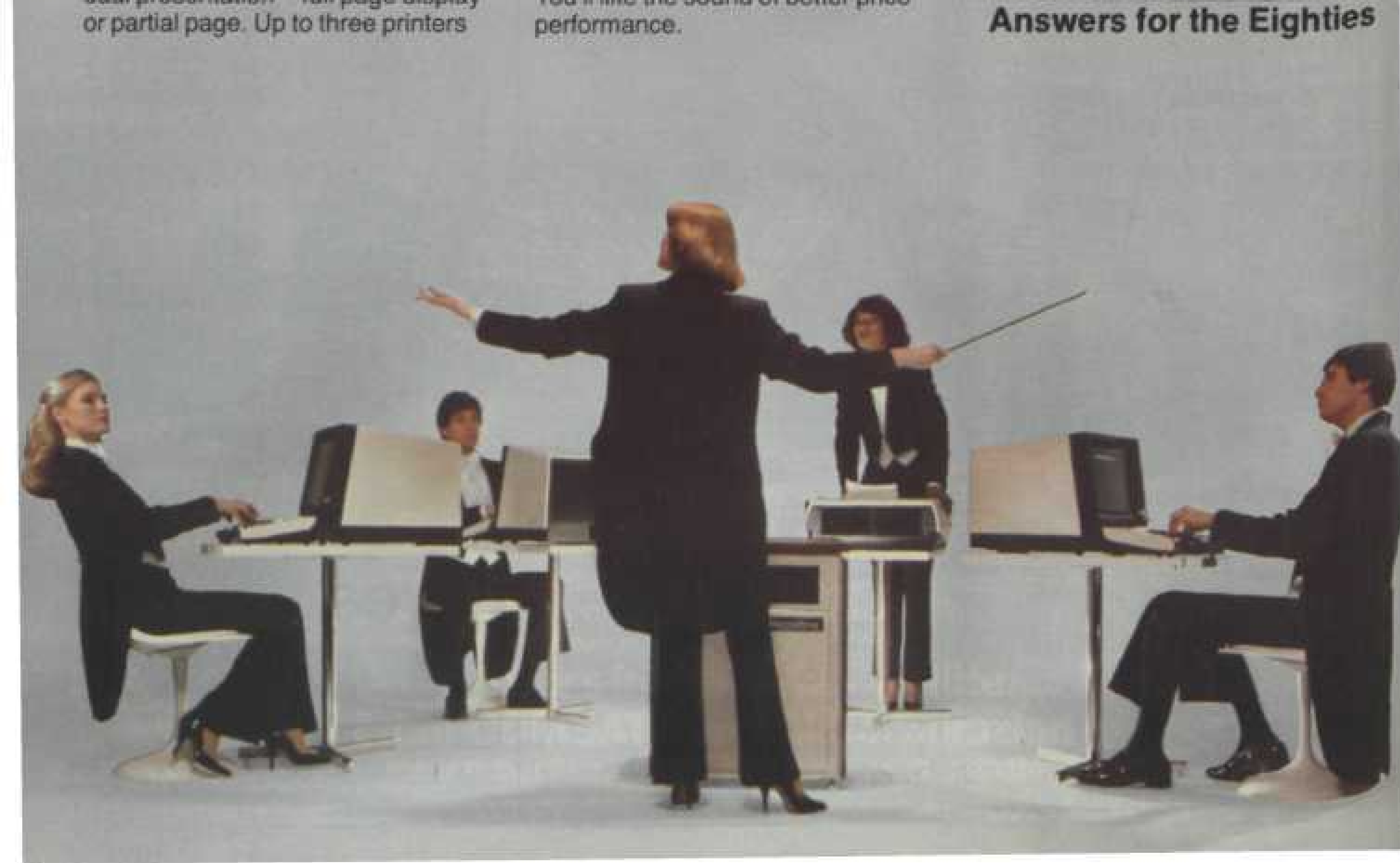
Before you invest in any word processing system, make sure you hear the complete OPUS 80 score. You'll like the sound of better price performance.

Hazeltine Corporation
Word Processing Marketing
Commack, NY 11725,
(516) 462-5020, Telex: 96-1435

Hazeltine and the Pursuit of Excellence

Hazeltine OPUS 80

Answers for the Eighties



Chastened by Congress, The FTC Carries On—Cautiously

By Michael Thoryn

IF YOU THOUGHT that the Federal Trade Commission, chastened by Congress for "over-zealous regulation," was ready to sink into bureaucratic somnolence, think again. Despite a three-year struggle when Congress refused several times to provide operating funds—the agency had to close for a day in May—and imposed restraints on several ongoing investigations, the FTC is determined to carry on, although perhaps a bit more cautiously than in the past.

"The commission's basic power and authority to root out illegal monopoly power and consumer deception are unscathed," says chairman Michael Pertschuk. "FTC goals are exactly what they have been—to keep the marketplace honest and vigorously competitive." The new FTC Improvements Act, which signaled Congress' intent to oversee FTC rulemaking, doesn't change what the agency does so much as how it does it, Pertschuk explains. "There has been some reshaping," adds Albert H. Kramer, head of the FTC's consumer protection bureau, "but no drastic change in direction."

Congressional reshaping—or reform, as FTC critics called it—took several forms. Congress slapped a two-house veto on the agency saying that it could veto any proposed rule or regulation within 90 days. Congress also forced the FTC to drop a suit seeking to cancel everyday brand-name trademarks such as Formica. And for the next three years, the agency cannot promulgate any rules involving "misleading but not false" advertising; however, deceptive and patently false ads still fall under FTC purview. The agency may write regulations that would curtail television commercials for sugared cereals and non-nutritious snacks aimed at children.

Congress did hobble the FTC's investigations of the insurance industry and agricultural cooperatives, but the agency may still require funeral home operators to disclose specific prices and state laws. It can also determine if small businesses should take part in setting quality standards for products such as electrical cable and air conditioning systems. Congress did not cut the FTC's 1,784-member staff and has tentatively approved a $71 million budget for 1981—a $5 million increase from this year.

> ❝There is no question that the business community and the FTC have to do some hard talking.❞

Kendall Fleeharty, a regulatory reform specialist for the U.S. Chamber of Commerce, says that "Congress took away what the FTC didn't have to begin with. It is still free to do what it should be doing—antitrust and consumer protection."

At the moment, the agency seems to be stalling any action on the kind of controversies like children's TV commercials that got it in hot water.

One big issue seemingly on hold is an antitrust case against the Kellogg Company, General Mills, and General Foods, which together control 80 percent of the ready-to-eat cereal market. The commission charges that the three companies are engaged in a shared monopoly—not actually fixing prices as in a traditional antitrust case but independently taking similar action against smaller competitors and forcing up prices.

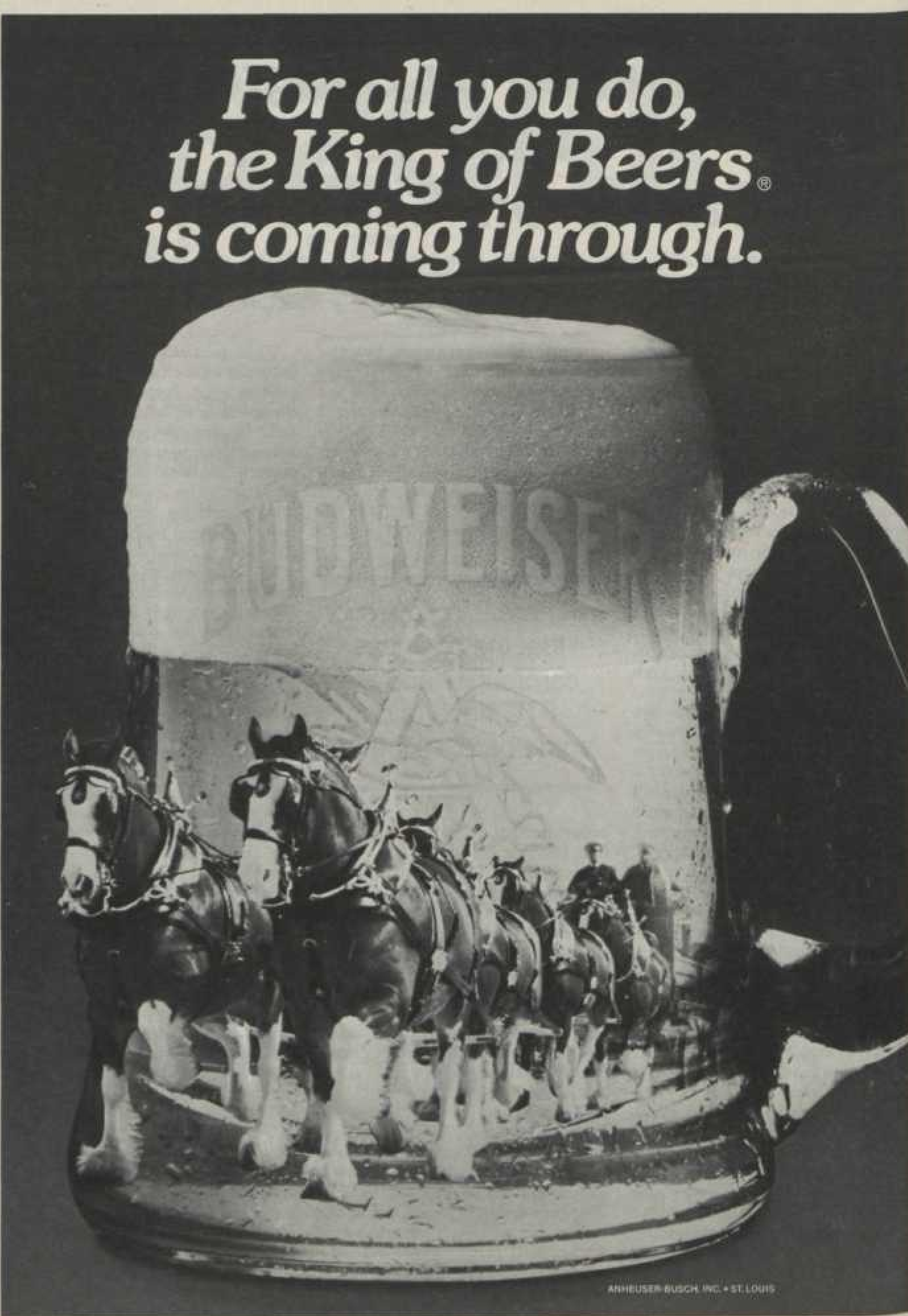
While politically sensitive agencies naturally back off from controversy at election time, Pertschuk denies that his agency is on hold. "The pipeline is full," he says. "We are active in market signaling, restraints on actual and potential competition, defects in major consumer items, coercive debt collection, advertising both in traditional forms and newer technological formats like two-way cable, and other areas."

Still, a spokesman for the Consumer Federation of America in Washington, D.C., which strongly supports the FTC, expects that the agency will be more cautious. "This isn't the time for bold new initiatives," says Michael Podhorzer, legislative director.

He believes the two-house veto will make protecting consumers more difficult, but Representative Elliot H. Levitas (D-Ga.), who fought for it, says: "If the FTC can convince Congress of the appropriateness of a rule, then it won't be tampered with." In any case, "we are going to be looking over their shoulders and they know it," says Senator Wendell H. Ford (D-Ky.).

Several of the industry and trade associations that banded together to oppose agency actions expect it to avoid coalition-forming controversy for a while. "Agency people have learned that if they go off the deep end, they'll be slammed," says Warren Buhler, president of Management Design, Inc., a consulting firm in Washington, D.C.

"There is no question that the business community and the FTC have to do some hard talking," says chairman Pertschuk. For their part, business associations and companies will be watching warily. Says Robert Purcell, a vice president at the American Association for Advertising Agencies in New York: "We'd be much happier with the FTC as a policeman of the marketplace, rather than as a public interest law firm." □


For all you do,
the King of Beers®
is coming through.
ANHEUSER-BUSCH, INC. • ST. LOUIS

Should We Export Morality?

THERE IS LITTLE question that the U.S. needs to increase exports to reduce our increasing trade deficit, which could reach $35 billion this year—nearly $10 billion more than in 1979. But critics of current programs say that restrictions on aid that tie it to human rights, the sometimes ambiguous Foreign Corrupt Practices Act, archaic antitrust laws and environmental policy all are severe handicaps to reaching that goal.

Such impediments send American businesses into competition with foreign businesses with one hand tied behind their backs, say opponents of the trade policies. How long, they ask, can we be the reformer of the world, exporting morality as well as jobs?

On the other hand, the State Department says, "We look upon trade as a last instrument when other methods are not productive. There are numerous countries with serious human rights problems where we have not seen fit to apply trade restrictions because other measures seem more appropriate." Violations of human rights, proponents contend, will continue unless the major nations of the world take the initiative and enforce change through economic sanctions. As the leader of the free world, the U.S. should be the champion of human rights for peoples everywhere.

Baloney, respond the opponents of the concept. By trying to force other nations to adopt a human rights policy, a lá America, we have lost billions of dollars in trade. Says Senator Adlai E. Stevenson (D-Ill.): "Congress should resist the impulse to restrict exports to countries whose internal and external policies do not meet U.S. standards and objectives when such restrictions would prove ineffective."

Writing in *The New York Times*, Alexander Perry, Jr., president of the Association of American Chambers of Commerce in Latin America, said that business "has been saddled with a crippling variety of trade restrictions designed to enforce the observance of human rights, curb extortion and bribery abroad, protect the environment and effect a host of other single-issue social objectives."

Business people agree that these are noble and desirable goals, but many contend that idealistic attempts to change the world should not be pursued unilaterally to the point where American exports can't compete with those of other countries.

What do you think? Should we export morality?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Should we export morality? ☐ Yes ☐ No

Comments:

Name (PLEASE PRINT) Title

Company Phone

Street address

City State Zip

Tax Social Security? No, No, No

PREDICTIONS that within a few years the nation's Social Security system will not have sufficient funds to pay future retirees have brought several suggested remedies, including a proposal that Social Security benefits be taxed.

To find out what you think of that possibility, our Sound Off question in June asked: "Should Social Security benefits be taxed?" By a margin of more than 14 to one, you voted a resounding "no."

Most readers who voted against taxing the benefits pointed out that it would be double taxation because they had already been taxed on their earnings. Some of the strongest opposition came from the self-employed, like realtor Robert L. McQuiniff of Columbus, Ohio, who says: "In my case I have been self employed for 35 years and I have paid 100 percent of my Social Security payments, so I should never be taxed by I.R.S. on my Social Security."

“When it comes to increased taxes, those in government today make King George III look like an amateur.”

Norman E. Hamner, an editor for the National Association of Corrosion Engineers in Houston, Tex., says: "Your question should have been: Do you think Social Security benefits should be taxed again?"

Many of those who voted in favor of taxing benefits took this into consideration, and qualified their votes. Retiree Fred C. Brothers of Huntington, W.Va., says: "The full amount should be taxable once the retiree has recovered the amount of his contribution to the fund."

But many who have been in the Social Security program since its beginnings agree with Paul Matthews, a partner in Matthews, Carter and Boyce, a Washington, D.C., accounting firm: "I am 65 years of age and there is no way that I shall ever receive the amount I have paid into the Social Security program."

Readers, in general, regardless of the way they voted, expressed a low opinion of the Social Security Administration and indicated little confidence that its problems would be corrected. Some said if it had been better managed, it would not be in need of more money and participants would be receiving better benefits.

"Social Security is an inefficient program at best," says L. M. Miller, controller at the Ford assembly plant in Louisville, Ky. "It is heavily skewed toward the weak producer and penalizes the strong. If there is to be a tax, then give me the alternative of not participating, because anybody can do better elsewhere with investable income."

W. J. Fitzpatrick, staff counsel at De Soto, Inc., a research center in Des Plaines, Ill., says a tax would be "the wrong solution to an admitted problem. The concept and mechanics of distribution of benefits need revision. It will accomplish nothing and permit yet another federal tax. We don't need more taxes and another agency to collect them. Let's revise the Social Security system instead."

Although suggestions included scrapping the entire program and refunding accrued benefits so that individuals could invest the money, the most frequent suggestion was to increase funding by bringing government employees and members of Congress into the program.

Some, like Tom Robertshaw, assistant regional manager of Motion Industries in Sylacauga, Ala., qualified their votes in favor of a tax: "First, I think our federal employees should be placed in the Social Security system as we are. We don't have any choice about participating."

Eloise Brackenridge, marketing manager at Dresser Industries in Houston, Tex., proposes several changes. "Social Security contributions should be tax deductible. All workers, including government employees should contribute. Extended welfare benefits should be removed from the fund and supported by general revenue."

Many others also suggested cutting back on the benefits offered under Social Security. "The Social Security program should be brought back to its original intent, namely to take care of our senior citizens, and widows with children, and not to finance other government programs," says Patrick H. Kneefe, vice president of Farmers and Merchants State Bank in New Ulm, Minn. "The government should stop using Social Security funds for social welfare programs and let it build up for the originally intended purpose of retirement assistance only," says Eileen Norris, president of Superior Title and Guaranty Corporation in Deerfield Beach, Fla.

The difficulty of living on Social Security benefits was mentioned by a large number of readers, including many younger readers who expressed both sympathy for the elderly and apprehension about their own futures. "Social Security is the only income for many of those of old age and any taxes would be a severe handicap," says Fred J. Nichols, president of LectroMagnetics, Inc., in Los Angeles. "Further, these people have paid taxes all of their working lives, and based on the rules since it was started in the 1930s, it has always been tax free. To tax it now would be unfair to all those on, or about to be on, income from the Social Security system. It would cause a voters revolt at this time."

“Your question should have been: Do you think Social Security benefits should be taxed again?”

Realtor Jo Hunt of Seattle, Wash., says, "I am violently opposed to the idea of taxing half or any portion of Social Security. The amount paid is so ridiculously small that most people must

reduce their standard of living dramatically to exist."

Richard L. Bailey, manager of Crown Laundry and Cleaners in Fort Knox, Ky., says that a "poll taken among employees indicated 100 percent were against benefits being taxed." William B. Owens, office manager of Manhattan Electric Cable Corporation in Atlanta, Ga., explains his own plight. "I retired after 35 years with a national firm and for 10 years have worked for another national firm," he says. "I am 65 years old, and have a wife and mother-in-law to support. I cannot afford to retire because with Social Security and retirement benefits we would be on a poverty level. For that reason, we do not need Social Security taxed."

But a proponent of the tax, David K. Halls, general manager of Halls Industries in Manti, Utah, says, "I strongly feel that Social Security benefits should be taxed. With the tax rates currently in use, those on only Social Security incomes would be exempted; those with other income as well as Social Security should pay their proportionate share of the income tax burden."

But many more thought they were already paying too much in taxes. "With inflation, taxes are becoming unbearable," says Jacques Vauthy, president of Microbest, Inc., a machine products company in Bethel, Conn. "What is needed is tax cuts, not increases. Senior citizens at least should be free of any additional burden."

When it comes to increased taxes, "those who run our government today make King George III look like an amateur," says J. P. Marr, manager of the geophysics offshore division, Houston Oil and Minerals Corporation, Houston, Tex.

Another alternative to taxation was suggested by Don Koop, president of Family Fare Super Market in Holland, Mich., and several others: "Why not keep payments a little lower and not charge the income tax. Any time Washington gets involved you know the costs will outweigh the benefits."

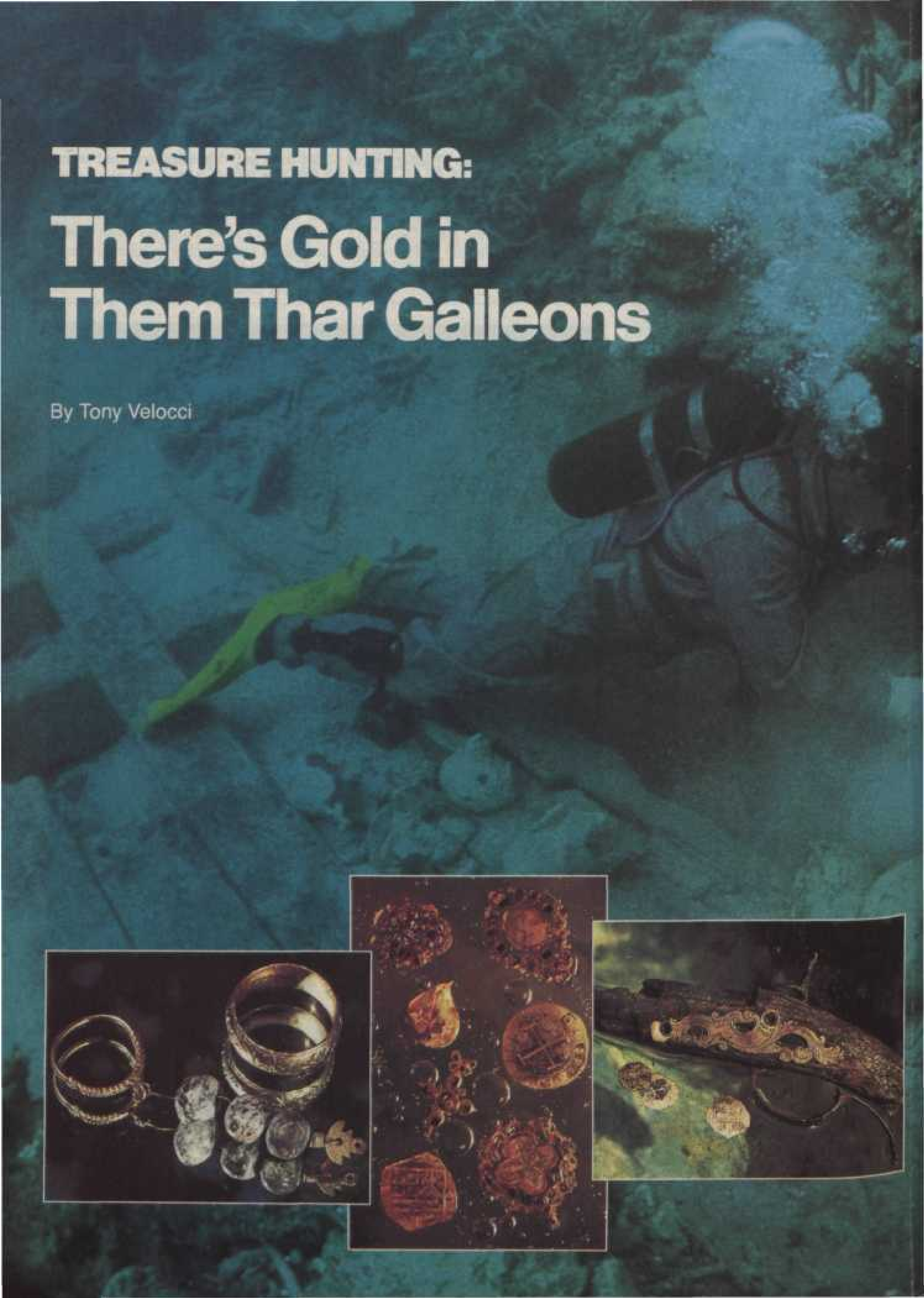
Placing a tax on any part of Social Security benefits was frequently compared with changing the rules in the middle of a game, although the tax-free status has never been a matter of statute. "This is why I introduced S. 2448, to write into the Internal Revenue Code tax exemption for Social Security benefits," writes Senator Roger W. Jepsen (R-Iowa).

Still another alternative comes from Glynn Harper, pastor of Trinity Episcopal Church in Lone Pine, Calif. "Almost every March or April—usual income tax filing time—it is announced publicly that many millionaires pay small amounts of income taxes and some pay nothing because of loopholes in federal tax laws that seem to benefit and favor them to the detriment of virtually all of America's middle class and blue collar workers," he says. "Let's have Congress close those loopholes for fair play in income taxes before putting more taxes on Social Security recipients." □

TREASURE HUNTING:

There's Gold in Them Thar Galleons

By Tony Velocci



TREASURE HUNTING is the kind of business that bounces from bonanza to bankruptcy and back again about as quickly as a pirate can hoist the Jolly Roger. You won't find the industry pushing up the Dow Jones average, or its company presidents lunching at the Plaza. In fact, a professional treasure hunter tends to be as close-mouthed as a defensive clam. But—for the fortunate few who do find gold on the floor of the ocean—the return on investment can be truly awesome.

"The sky's the limit," says William Petty, president of Altorfer, Podesta, Woolard, a Chicago investment banking firm that helps to finance treasure hunting expeditions. Adds Robert Weller, 55, a diver with

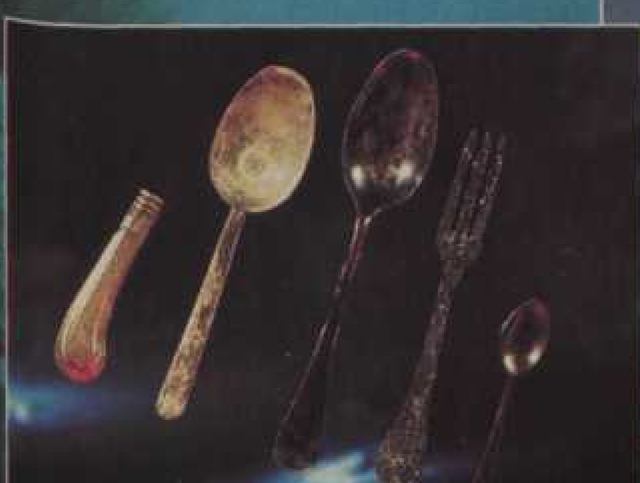


PHOTO: JONATHAN BLAIR—WOODFIN CAMP

Peninsular Exploration Salvage Corporation in Marathon, Fla.: "I know people in this business who have hit it so big it makes me green with envy."

One of those is Melvin Fisher, president of Treasure Salvors, Inc., of Key West, Fla., and a treasure hunter with a sonar-like sense for land-locked riches. Last February, for example, Fisher and his crew recovered more than $20 million worth of gold and silver bars from the Spanish galleon *Santa Margarita*, which sank about 35 miles southwest of Florida in early September, 1622. Now, Fisher's 54-foot steel-hulled salvage ship *Swordfish* is searching nearby for the wreck of the *Nuestra Senora de Atocha*, which sank in the same hurricane as the *Santa Margarita*. (Actually, Fisher and his captain, Ted Miguel, a 52-year-old retired Navy captain, have already brought up 100 pounds of gold, 1,000 pounds of silver and bushel baskets of coins from one part of the *Atocha* wreck, but they're still looking for the "mother lode"—40 tons of gold and silver buried beneath the deep.)

Most treasure hunters, of course, never find their "mother lode." For all his fortune, Fisher, 54, is only one of about 20 professional treasure hunters in the U.S. While a few have million-dollar budgets that support staffs of accountants, consulting historians, divers and lawyers, many go broke their first year. The rest live austerely, sinking virtually everything they own into obtaining financial backers and continuing the hunt.

"You have to be an eternal optimist to do this for a living," says Fisher, whose son and daughter-in-law were trapped one night in a capsized boat and drowned on the *Atocha* expedition. "But once it gets into your blood, you're hooked for life." Says *Swordfish* skipper Miguel: "Some people think we're flakos, but we enjoy our work."

The work begins with research, usually in Mexico City or Spain, where hunters pore over worm-eaten Spanish shipping documents. Each treasure-bearing ship had a silver master who kept a special manifest of all declared valuables aboard. An inquisition followed each wreck, and the equivalent of a court reporter meticulously wrote down statements from survivors as to the location and circumstances of the loss. During Spain's 300-year colonial

Mel Fisher (above) brings up bushel baskets of coins from the *Atocha* wreck off Florida; Scandinavian sailors found $2 million in coins off Norway.

period, starting, of course, after Columbus discovered the New World in 1492, galleons were the source of virtually her entire gross national product. Each year, at least two fleets of 10 to 20 galleons sailed to Mexico, Central and South America, where precious metals were mined and millions of coins were minted.

Although pirates were a constant menace, the greatest hazards were the Caribbean's storms and reefs. In addition, the ships themselves were badly overloaded, cumbersome and difficult to maneuver.

Sifting through the records of ancient history can take months, but without such research, "you're only flailing in the dark," says Frank Allen, 57, president of East Coast Research, Inc., in Deltona, Fla., and a treasure hunter since 1960.

THE HUNT is not confined to U.S. coastal areas. Chicago's Seaquest International, for instance, pursues only wrecks outside the continental U.S.; one of its most promising expeditions is trying to recover treasure from the *Nuestra Senora de la Limpia y Pura Concepcion*, a galleon that sank off the northern coast of the Dominican Republic. Current value of the *Concepcion* treasure: $14 million, and Seaquest is looking for investors to finance future dives.

Spanish galleons are not the only source of sunken riches. A San Diego firm, for instance, has already tried to salvage the *Andrea Doria*, which sank in 1956 in 240 feet of water off Nantucket. Resting on her side, the ill-fated luxury liner contains an estimated $60 million in salvageable treasure and scrap. Divers aborted the salvage attempt because the unstable interior ceilings and walls were a death trap. Another company is exploring ways to find and salvage the legendary *Titanic*, which sank in 1912 in 15,000 feet of water off Newfoundland.

Frequently, the trouble with treasure only begins when it is found. "Many treasure hunters fail to recognize all the legal ramifications," says Palm Beach attorney Kenneth S. Beall, Jr., one of a handful of people who specialize in treasure law. "Often they find out it's not always finders, keepers and wind up losing a bundle."

The federal and state governments have tried repeatedly to thwart salvors by claiming treasure found within the territorial limits of U.S. coastlines. Key West attorney David Paul Horan has 12 treasure lawsuits pending. He took Mel Fisher's case all the way to the U.S. Supreme Court—and won, establishing the principle that neither state nor federal government has any right to the treasure.

Legalisms aside, the search alone is financially draining. Most treasure hunters agree that starting and running a professional operation requires at least $200,000. Added to the everyday costs of diver salaries—often $90 a week plus board and a bunk—pier rent, utilities, marine fuel and supplies is the capital expense of the electronic gear needed to find the treasure. These instruments cost from $600 to $50,000.

One innovative device—known as the mailbox because it looks like a cylindrical mail chute—is positioned over a boat's propellers and diverts the wash to the sea floor where it throws up sand and mud. In only 10 minutes, the wash excavates a 25-foot-wide, 10-foot-deep hole while scuba divers hover nearby, darting in to snatch artifacts as they are churned up in the blizzard of air bubbles and sand.

"Many treasure hunters fail to recognize all the legal ramifications. They find out it's not always finders, keepers."

Other divers work in pairs, fanning the sandy bottom by hand and sweeping with metal detectors. After centuries of watery burial, the ships have disintegrated. Only metallic objects are left—badly tarnished silver, still-gleaming gold, bronze cannons, corroded cannonballs and fittings, eight and ten-inch linchpins, plus coins and personal articles.

RECOVERING the remains is sometimes accompanied by danger. Besides sharks, barracudas, and sting rays, divers most fear the bends—caused when nitrogen bubbles force their way into joints and under the skin if the diver surfaces too quickly. The result is excruciating pain and, from below 100 feet, sometimes death. Says Miguel, a former Navy diver: "I've dove to 150 feet. Anything below that is sheer lunacy."

The treasure hunter's single most useful tool is the magnetometer, which is towed about 60 feet behind the boat and registers the presence of magnetic anomolies, a rise in magnetism above the normal background force. Other sophisticated detection and navigation gear help to pinpoint areas to investigate. In the *Swordfish*'s wheelhouse are two Loran navigation instruments; one is synchronized with a chart that continuously etches the boat's exact position on a map. A fathometer gives a profile of the bottom; another emits a sound wave that penetrates up to four feet beneath the sea floor to detect hard objects such as a buried cannon. Other metal detectors are trailed from the sides of the boat.

FINDING THE TREASURE is only the first step. Finding lucrative markets for it is what enables the hunter to build a solid business. As with most collectibles, the condition and demand for the object establish the price.

Prices range from $75 for a one-reale piece of eight to $7,600 for an eight-escudo, solid-gold doubloon mounted in a pendant. "Coins are among our most popular items," says Steven Hochschild, president of the World Treasure Society of Montpelier, Vt.

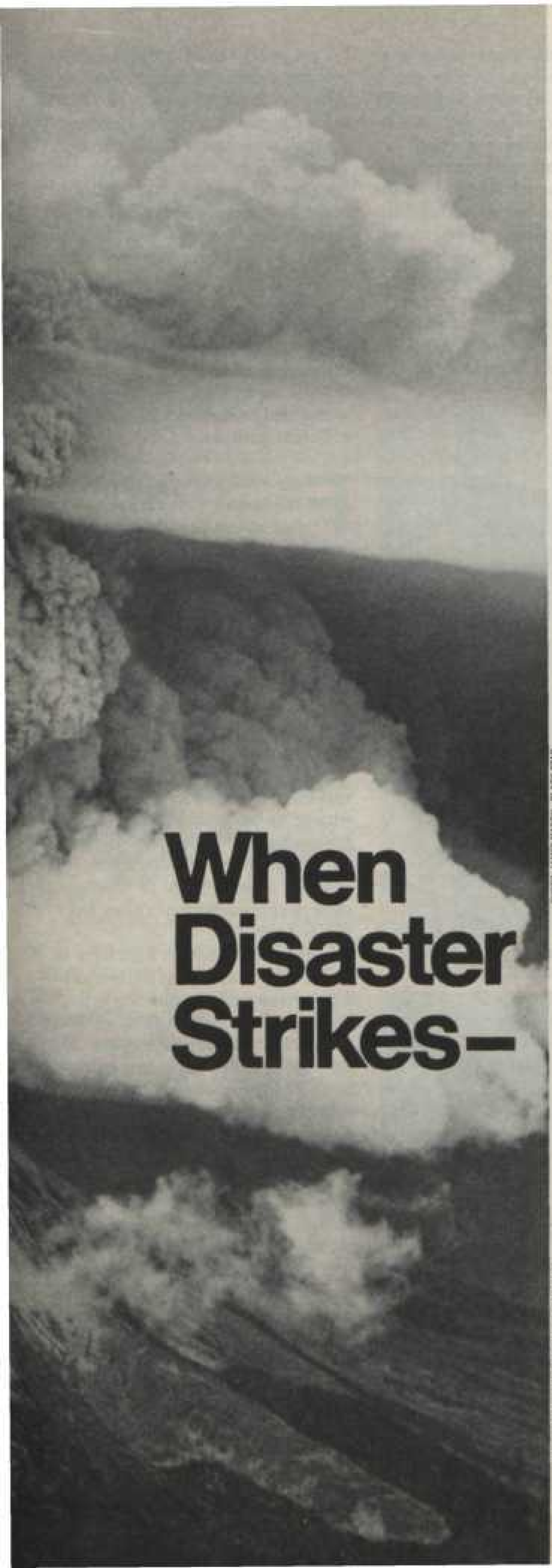
What makes the coins so valuable is that they were hand struck in the 1600s and 1700s; no two are exactly alike. Captain Miguel wears around his neck a striking piece of eight attached to a solid silver ring. Two letters in the king's name (Phillip) are backwards; the coin is a genuine 1622 counterfeit. "This one's not for sale at any price," he says.

While collectors are prepared to pay top dollar, dealers, museums and auction houses such as Christie's, and Sotheby Parke Bernet usually bring the treasure hunter less.

As a result, several of the larger treasure hunting companies have dropped the middleman altogether. Says Bleth McHaley Curtis, treasurer at Treasure Salvors: "We prefer to control price and distribution, so we go directly to the collectors." Authenticated coins from the *Atocha* wreck can be purchased for as little as $250 each or as much as $5,000.

In inflationary times, salvaged treasure is an appealing investment. "With today's economy, the trend is to invest in hard metals and tangible objects," says Beverly Hills coin dealer Lawrence S. Goldberg. The demand for inflation-proof investments will fuel the gold fever of the professionals and amateurs alike. Says a Florida historian, "there are enough wrecks out there to satisfy the greed of the most determined treasure hunter." □


DON'T BE FOOLED BY
ST. HELENS
DUST 50¢ GAL



When Disaster Strikes—WAIT

By Roberta Graham

UNTIL LAST September 12, Constantine's Gas Light Restaurant in Mobile, Ala., seemed a fairly friendly spot to get together for an after-work drink or a family dinner. In addition, it was showing signs of turning a profit for George Panayiotou, the restaurant's 36-year-old owner. But late that night Hurricane Frederic changed all that when it ripped through town, mauling Constantine's and blowing Panayiotou thousands of dollars into debt.

"I watched it hit from my apartment window across the street," he says. "I felt like a spectator at my own funeral." Like thousands of other business owners across the U.S. who are hit by disasters every year—whether caused by the eruption of Mt. St. Helens volcano, Miami riots, Nebraska tornadoes or the Love Canal chemical dump—Panayiotou applied to the Small Business Administration for help. "I had to put the creditors on hold and hope the SBA would come through with a $51,000 loan," he says. So far, it has not, and Panayiotou and Constantine's have had to eat their loss.

Unfortunately, Panayiotou's experience is not all that unusual. To speed up the government's help for business people devastated by disaster, President Carter last month signed the Small Business Development Act, the first major overhaul of the disaster lending program since Congress eliminated outright grants to victims in 1973. It is designed to get more money to disaster victims—faster. "It's

terrible to head a program that's supposed to help people and not have the money to do it," says Jack Moore, director of the Small Business Administration's disaster loan program. "You wouldn't believe the phone calls I get from people needing help. They've got no roof over their heads and they're often standing in the rain asking for help. It's time we initiated changes that will help them."

As it now stands, SBA's disaster relief coffers are refilled annually, but the amount requested is unrealistic. Moore explains that the budget request is figured out by averaging total disaster disbursements for the previous 10 years, but another agency official says the budget request is like settling for an eyedropper portion.

While SBA admittedly cannot predict disasters, it has tended to wait for the crises to strike before asking Congress for enough money. "If we run out of money," says Moore, "the thought has been that Congress will respond with a supplemental appropriation."

That is a process which takes much time and while Congress dawdles, small businesses can go broke.

PHOTO: RALPH PERRY—BLACK STAR

Mud slides felled this logging camp.

PHOTO: RAYNAK—GAMMA LIAISON

Fallout fashions: gas masks

PHOTO: RICH FOX

A tornado destroyed Alvin Aims' bowling alley and 50 jobs in Grand Island, Nebr.

Last year, Texas business and home owners, victims of severe flooding and tornados, had to wait such an excruciating amount of time for disaster relief that Representative Bill Archer (R-Tex.) was prompted to ask House Speaker Thomas P. O'Neill, Jr. (D-Mass.) to form an ad hoc committee to investigate how the federal government's disaster programs are administered. Archer's request was supported by 29 other representatives from 18 different states who believed the federal disaster relief program needed to be improved. Rejecting the request, O'Neill said: "Congress has been able to respond to disasters in a prompt and sufficient manner."

FEW POLITICIANS quarrel with giving money to disaster victims, but often the legislative response depends on how many states are affected. In 1973, for example, when Hurricane Agnes roared through 10 states causing the most widespread destruction of any tropical storm to date, Congress acted within three weeks on a supplemental measure giving $1.3 billion to disaster victims.

But generally, the waiting period is long and painful.

"I guess the small business person will have to depend on his or her own wits or on each other and less on the government for help following a disaster," says Ralph DesLauriers, president of a ski resort in the usually snow-drenched Bolton Valley ski area of Vermont.

Last winter was the first time in 50 years the slopes in Bolton Valley didn't have enough snow for skiing. By December, business was down 30 percent from the previous year. When SBA declared the ski industry in several northeastern states, including Vermont, as economically hard-pressed due to the lack of snow, DesLauriers applied for a $100,000 economic dislocation loan. The agency said he could have $100,000, but not anytime soon. He would have to wait for the money, because funds had run out.

"I think it's incredible that the government plays hero in these disaster situations. SBA says it will help, but then offers invisible funds," DesLauriers says. "I'm at the point now where I need that money. If I don't get it soon, I'll have to borrow from the bank in anticipation of receiving it."

Many small businesses, waiting for disaster relief money, try to secure a bridge loan from local banks.

DesLauriers believes he could secure

Public Affairs and the Political Process - The Role of Business

We believe the voice of business needs to be strengthened in the political process for the benefit of all Americans.

Our task is not so much to advance selfish interests of our individual companies, but rather to advance the general prosperity. We can do this by applying our knowledge of how the economic system works to the current agenda of government. The voice of business should, therefore, be providing leadership to employees, stockholders and the community at large.

Our role in public affairs and the political process tends to be limited to what we can do in any time left over after we've done our business jobs. Top executives generally don't give public affairs first claim on their time. Furthermore, our concern is generally limited to particular narrow issues that immediately affect our companies. Predictably, it won't be too many years before there aren't any businesses to manage, because the regulators will be managing them for us, and management's task will become that of a "compliance supervisor," receiving its instructions from Washington. If you're content with that - dream on; if not, wake up and get active. It will soon be too late!

WHAT BUSINESS CAN DO

There are many ways in which business can have an important impact on public affairs, the political process, and the formulation of public policy. Here's just five your business can implement immediately.

- ECONOMIC EDUCATION - establish an economic education program for your employees to provide a sounder understanding of how a business works, of the roles of saving and investment, productivity, profit, and how preserving the freedom of the market is the key to preserving the freedom of individuals.
- PACs - if you have a political action committee in operation use it as a tool for political education and employee involvement in the political process. Support candidates best suited to preserve and strengthen our free market system. If you do not have a PAC, start one!
- SHAREHOLDER ACTIVIST NETWORK - enlist shareholders in the political process by mailing them summaries of issues affecting free enterprise, followed by action alerts listing who to contact in Congress and the action required. This is truly grass roots participation in the political process.
- CORPORATE PHILANTHROPY - in addition to the traditional cultural, educational and social welfare organizations, support the institutes from which flow the ideological and the moral base for political and economic freedom.
- PERSONAL INVOLVEMENT - the public image of business is at an all time low. Articulate anti-business spokesmen use emotional rhetoric to grab media attention, and business' response is nil. We must puncture their moral pretence with the truth by speaking out as individuals and as companies.

It's time for action; it's time for leadership. Much of the leadership potential in America resides in the business community. It must be elicited and it must be elicited for a **broad-based** pursuit of the general interest of all Americans, and, in fact, of the free world. We now are faced with a government of the people, by the bureaucrats, for the bureaucrats. As custodians of the interests of the common man, business leadership can restore a government of the people, by the people, for the people.

Let's confront this problem with the same talent and vigor that business would bring to bear if we were faced with an unprofitable plant or a sagging earnings situation. As businessmen, we have the talent . . . we have the know-how . . . we have the incentive. Let's show the public that we have the solution.

Loctite Corporation

a bank loan if needed because he has good collateral. Most survivors of a hurricane, tornado, or flood do not.

Several thousand miles away, Ernest Thayer, president of Commercial National Bank, Grand Island, Nebr., sets down his pencil and says he wants to help the town's small business people whose businesses were destroyed by a tornado that ripped through the city on June 3. The bank itself lost a drive-in branch office.

"We're flexible to negotiation within reason," he says. "About half of our outstanding loans are held by the small business people of this town. We're not into gouging. We have sympathy for the borrowers, but we have to made a profit on what we do."

Across town, Alvin Alms surveys the remains of Meves Bowling Center, a 32-lane bowling alley, and admits he will need federal assistance to rebuild his business. "We just took out extra insurance in March, and it's a good thing we did. We're insured for only 80 percent of the estimated $1.5 million fair market value," he says, "but that's hardly enough to rebuild."

He estimates that construction will cost $2.2 million. Alms, a CPA, says he depends on the business for 40 percent of his livelihood. "But we have 50 people who are also dependent on us for their entire income, so we must get back on our feet as soon as possible."

He plans to apply for a $500,000 SBA loan to help finance the reconstruction costs. "Although SBA indicated that they do not have any money now, they said they would have it by the time our loan is approved," he says. "Everything will be just fine if the disaster loan goes though. The only thing that will create a hardship is if I don't get the money right away."

"It's likely," says an SBA official in Washington, "that some people will have to wait some time for their money." The reason is that the supplemental appropriation bill passed last month, while giving an additional $1.2 billion more to disaster victims, will have to be divided between Hurricane Frederic victims, economic dislocation victims such as DesLauriers, plus victims of last February's mud slides and floodings in California, Arizona, Texas, Louisiana and Mississippi. In addition, since the request was made, the government has promised money to Miami riot victims, Cuban refugees, victims of wind storms in Alaska, droughts in Texas, and energy-impacted businesses in the northeast. All came before the Grand Island tornado.

SUBSEQUENTLY, Mount St. Helens erupted on May 18, spewing volcanic ash eastward across the Pacific Northwest for hundreds of miles and causing mud slides that clogged the Columbia River and halted shipping. Damage is estimated at $1.7 billion. And since then nine other disasters, a result of droughts, fires and tornadoes have been declared.

The Pacific Northwest's huge tourist industry alone will suffer the loss of millions of dollars because vacationers canceled hotel reservations. In Yakima, Wash., Ray Gilmour, president of the local hotel/motel association says the tourist business has dropped significantly since Mount St. Helens erupted. Agriculture will also suffer because a good portion of the apple and cherry crop was lost.

Glyn Chandler, owner of Grant County Tractor Company in Moses Lake, Wash., is feeling the business fallout. His inventory bill will come due in November. "I expect to be $500,000 to $600,000 behind come payback time," he says. "If we don't get some help from someplace, we're all going down the tube.

"I've been in this business for 23 years, I'm 54 years old, and I just don't know anything different. SBA money will be my only salvation. We don't want handouts, just interest rates and terms we can live with. But I'm just afraid that there will be a lot of us broke and gone before the government gets in here with that money."

HOW QUICKLY the government is able to respond to future disasters may depend on the new law; it establishes a line of credit at the Treasury Department, allowing the SBA to borrow from it instead of dashing to Congress for a supplemental.

The Office of Management and Budget must decide whether to grant the option presented in the bill, and set the limit on the credit line.

"Disasters, by definition, are unexpected and you don't know what you'll need or when," says a House Small Business Committee budget expert. "But what we wanted to do was to provide financing flexibility upon need."

The act requires that farmers seeking disaster assistance now turn to the Farmers Home Administration first before going to SBA. This will alleviate some of the cash shortages because much disaster funding is disbursed to farmers caught in droughts.

"The small businessman getting the money won't know the difference except for one thing," says Representative Neal Smith (D-Iowa), chairman of the House Small Business Committee. "He will get it quicker. There will be less delay in disbursing the money after a disaster occurs because SBA won't have to wait for Congress to pass a supplemental; they'll just go to the Treasury."

The White House must decide whether SBA should be allowed to have the borrowing authority. Sources say that the White House prefers the line-of-credit authority, but will establish a limit, mandated by the act, by averaging over a five-year period all nonfarm, physical disaster loans. The ultimate word will still come from Congress, however, when it deals with the budget next year. □

How to Cut Your Income Tax to Zero

Tax laws say you don't have to pay taxes even if you earn between ***$15,000 to $35,000 or more!***

Mark Haroldsen feels that paying more taxes than you have to is a waste. Learn how you too can begin to legally cut your taxes to zero.

Nobody likes to pay taxes. And the tax laws in this country say you don't have to.

Most people think that the wealthy are the only ones who can save thousands of dollars each year on their taxes, but anybody with an average income can take advantage of the tax laws.

Let me explain exactly what I mean. Tax shelters are nothing more or less than taking advantage of the tax laws that were put there for a reason. The reason is to help you and motivate you to invest so you will help the economy of the United States. (Your investment doesn't have to be cash, either. It can be just a bit of your time.)

The key to saving on your taxes is a little thing called "depreciation". You see, the U.S. Congress years ago decided that depreciation on certain kinds of properties could be deducted from your taxable income. Depreciation in theory means that your property goes down in value because of physical as well as functional deterioration even though, as we all know, in real life those same properties actually go up in value every year.

Here's a simple example: Let's say you bought a $75,000 income property and you bought it entirely with someone else's money — and I can show you how to do that — how much depreciation and tax savings would that give you?

First of all the monthly rent you'd receive from your property would pay off your loan (this is called a self-liquidating loan) so you'd end up with a property that was paid for by someone else. And that's not even counting the tax advantage.

The good news is that your property would give you $6,250 in depreciation—all of it would be deducted from your taxable income.

But that's not all. If you are now making $20,000 a year and you bought three properties like the one above you could cut your income tax bill to zero. (Both federal and state.)

But that's still not all. By using your cash rebate wisely you can improve your properties by ten to thirty-five percent and that would increase your net worth by $22,500 to $78,750 a year. (Inflation by itself will do a lot of your work.)

So now, even if your income is only $15,000 to $35,000 a year, you can quite easily acquire enough property with enough depreciation that your tax bill is zero or close to it. And you can buy those properties without any cash of your own.

But wait a minute you say, how do I buy property with other people's money and increase my net worth by so much without paying taxes? Well, I thought you might ask so I'm ready with the answer.

In fact, I wrote a complete book about it. Now don't get upset and stop reading now! I know most books written on tax shelter and the buying of income property are fairly difficult, complex and confusing, but mine is not. I wrote it in language which anyone can understand and I know it works, because I've done it myself. In just 48 months I netted over one million dollars and paid less taxes in those years than the guy that makes $20,000 a year.

So now here comes the sales pitch! I want you to stop paying so blasted much in taxes. Not because I'm trying to start a tax revolution, but because tax laws are there that allow you the privilege and advantage of not paying any taxes, and maybe our friends in Washington might get the general hint that we want them to spend less of our money.

Oh, yes, and I want to sell copies of my book *HOW TO WAKE UP THE FINANCIAL GENIUS INSIDE YOU!* This will not only show you how to save thousands of dollars on your taxes (or even reduce them to nothing) but it also will show you how to build a very large net worth of several hundred thousand dollars or add $500 or $1,000 to your monthly paycheck.

Now, if you can't quite believe everything I've said (I don't really blame you. Most people, including myself, are basically sceptics.) then I would encourage you to check me out. Call or write my bank (Utah First Bank), or the Salt Lake Chamber of Commerce, all in Salt Lake City, Utah.

Also, when you order, why don't you postdate your check by 30 days — and I guarantee and promise I will not cash your check for at least 30 days, thereby giving you time to read my material and benefit from it. If there's anything and I mean anything at all you don't like, then send my book back and we'll send you your check back the same day.

But if you're going to do something, do it NOW. Don't put this paper down without taking action. In fact, if you've decided to order or if you have any questions, go to the phone right now, pick it up and call 801-973-4053 and you can order by credit card. (The same 30 day guarantee applies to credit card buyers.) The investment I ask you to make is only $10. I can offer my formulas and methods at this low price because of my huge volume. Incidentally, more than 400,000 people have already bought this book through the mail and I have literally thousands of testimonial stories of how people have saved thousands of dollars on their taxes and built their net worth by hundreds of thousands of dollars.

Here's a small list of some of the things that this publication is guaranteed to do for you. It will show you how to:

- Shelter your income by legally avoiding paying federal or state income taxes.
- Add cash to your monthly salary.
- Benefit from inflation rather than being hurt by it.
- Buy income properties for as little as $100 down.
- Begin without any cash.
- Put $10,000 cash in your pocket each time you buy (without selling property).
- Double your assets every year.
- Allow you to travel one week out of every month.
- Reinvest your tax savings for even greater tax shelter.

Note: All this can be done immediately and without leaving your job, but after you get going, you may want to quit.

To order, simply take any size paper and write on it the words *"FINANCIAL GENIUS"* Dept. AKO3A. Send with your name, address, check or money order for $10.00, to me *Mark O. Haroldsen*, 2612 South 1030 West, Salt Lake City, Utah 84119. As soon as we recieve it, I will immediately send you a copy by return mail. We can send you a copy of Mark's book today if you'd rather use your credit card. Simply call us at 1-(801)-973-4053.

Is Gambling Good for Business?

By Mary Tuthill

WHEN ATLANTIC CITY took a gamble on gambling four years ago, the fading beach resort hoped to cash in on the hundreds of billions of dollars that Americans wager every year—legally or illegally—through casinos, lotteries, dog and horse racing, numbers games, and similar operations.

So far, the city's bet has paid off handsomely. Three years ago, for example, Atlantic City had a $314 million tax base; today, the tax base has jumped to $2.5 billion. And employment in the past year has increased by 7,200 jobs. With three of the world's most lucrative casinos only a half-mile apart along the Boardwalk pulling in an average of nearly $500,000 a day, Atlantic City is enjoying a prosperity that has not been seen for years.

But the biggest winner may be the business community. Although business leaders in Atlantic City are still counting their chips, many expect to reap substantial profits from gaming. Advance convention bookings are the largest in the city's history. Says William H. Eames, executive director of Atlantic City's Chamber of Commerce: "The benefits of casino operations here have exceeded our expectations by about three times."

"Casino gambling was introduced as a development tool," says New Jersey Gov. Brendan Byrne. "We looked for other ways to rejuvenate Atlantic City, but found none." Adds Mayor Joseph Lazarow: "Casinos are the biggest renewal-renaissance that has come about naturally, without federal aid."

Still, a few ill omens have appeared, despite strict regulations. One member of the state gaming commission resigned in the wake of the ABSCAM scandal, saying he had watched an FBI agent posing as a representative of an Arab sheik hand $100,000 to a state senator to get a casino license. The state attorney general alleges that Caesar's World, which runs the Boardwalk Regency, and its principal owner, Clifford S. Perlman, have had repeated business dealings with criminals and Miamians linked to Meyer Lansky, reputed organized crime figure. And officials connected with the industry have run into conflicts of interest concerning land purchase deals.

Despite these problems, casino gaming and its ripple effects have resulted in a burgeoning industry in Atlantic City. But like any business, its growth will depend on a steady market, community acceptance, effective management and available financing.

Certainly, the market exists. After three years of research and hearings, the congressional Commission on the Review of the National Policy Toward Gambling, which first met in January, 1974, stated that two thirds of the American population gamble and about 80 percent approve of some sort of gambling, regardless of state laws.

While most state governments and politicians decry

You bet!

gambling, the legislatures have enacted a great many exceptions for "good causes," such as horse racing in 32 states to improve the breed, lotteries to pay city debts, bingo games to help churches, and raffles for various civic groups. Pari-mutuel betting at horse races is legal in 21 states; 13 have dog races; four have jai alai; two have off-track betting parlors; 13 have lotteries and numbers games; and now two have casinos. Most forms of gambling, other than dog and horse races and Nevada's casinos, are found east of the Mississippi River, although ad hoc games of chance are everywhere.

"We have an absolutely hypocritical policy of saying we are against gambling, except . . . ," says James E. Ritchie, an attorney in Washington, D.C., who directed the gambling commission. "The commission found that once there were three forms of legal wagering in a state—and it didn't seem to make any difference which forms they were—public sentiment for proscription or legal restraints on gambling quickly evaporated."

But the specter of criminal connections overshadows legalized gambling as a business stimulant and a source of tax revenue. When Miami Beach, Fla., first considered casinos in 1976, then-Gov. Reuben Askew and other opponents claimed that such a move would attract mobsters. "It would be a tragedy to sell the soul of the state to fill a few beach hotels," said former Miami Beach Mayor Jay Dermer, head of Floridians Against Casino Takeover.

Even in Atlantic City, a casino referendum was defeated the first time around in 1974. But two years later, the voters took a chance. Unemployment was rising rapidly, and some people were abandoning their properties rather than pay ever-increasing taxes. The population was steadily shrinking—from 62,000 in 1960 to about 40,000 in 1976. A popular bumper sticker read: "The last one out of town please turn out the lights."

Resorts International and the Boardwalk Regency—the first two casinos to open—provided jobs for more than 6,000 people. The Bally Manufacturing Corp., which produces slot machines, opened its Park Place casino last year, employing another 3,000 people. And Penthouse, scheduled to open soon, expects to do the same.

In addition, casino construction alone has put thousands of people to work—5,800 building trades jobs have been created so far—following several years when nothing was built in the city. "I had an office on the Boardwalk," says a longtime resident, "and when I saw a crane, I knew something was going to to be torn down."

Arthur B. Carr, state labor analyst for Atlantic County, credits the casinos with helping to alleviate the city's unemployment problem, but says they can't do it all. "There used to be a short season here as a summer resort," he says. "Now it's year round. A lot of people were accustomed to the short-term work and can't seem to adjust to taking a

year-round job." Carr says that initially the casinos had difficulty finding people for some positions because "anybody who was career-minded wouldn't stay here."

While some businesses have been unaffected by the casinos, those near the Boardwalk are generally benefiting. Jewelry stores report increased sales, and a reweaving shop owner says: "We're up to our ears in work. We can't handle any more." The personnel manager of a women's clothing store says sales are up. "Our customers are either career women from the casinos or wives of casino executives. We're putting together and selling whole wardrobes at a time."

Tour bus operators in nearby cities such as New York, Philadelphia and Washington, D.C., are also gaining from gambling. "It has increased our business considerably," says Micky Biss, president of Biss Tours in Rego Park, N.Y., whose company is the largest independent serving the Atlantic City casinos. But the boom is not without problems. "We're very much on the edge of our seats because the casinos call the shots," says Biss. "When the phone rings, we hope it isn't a casino saying it can't handle any more bus tours that day."

PHOTO: MICHAEL ABRAMSON—CAMERA 5

Blackjack players help to swell Resorts' gambling revenues.

Three casinos offer package deals to various groups, including churches and other religious organizations. The Boardwalk Regency averages about 50 bus tours a day, but has had as many as 100. Resorts International and Caesar's World also report a bustling bus tour trade.

A small tour operator in Maryland comments that the casinos "haven't hurt our business a bit, but it's no bonanza. It's mostly a case of people shifting their destination to Atlantic City." However, Biss says he is amazed at the amount of repeat business. "Usually, people take a trip to Mystic, Conn., or someplace like that and are satisfied; they've seen it. But the attraction of gambling keeps people coming back. For a while, I was asking myself: 'Where are all these people coming from?' "

Wherever they're coming from, they are eating out in Atlantic City. Says James Cooper, part owner and general manager of the Sand Castle (once the home of heiress Barbara Hutton): "I think all the restaurants in the area are experiencing a real upswing in business." The Sand Castle already caters to many casino tour groups for lunch and expects increasing business this summer. At the Smithville Inn, 12 miles north of Atlantic City, assistant manager Rudy Antonio says that some days they serve as many as 500 people on casino tours.

The casino boom has also boosted real estate prices—both for the large tracts sold to casino owners and for suburban homes—and has created a new crop of millionaires. One of them, Reese Palley, moved fast when the referendum passed, and, with a partner, borrowed $200,000 for a down payment on the Marlborough-Blenheim Hotel. They bought the hotel for $6 million and soon sold it to Bally Manufacturing for $15 million.

Now, Palley, who made $4.5 million on the deal, displays a sign in his Boardwalk boutique saying: "Reese Palley, Merchant to the Rich."

William J. Downey, executive director of the Atlantic City Casino Hotel Association, says: "Before the referendum, you couldn't give land away here. Now land values are sky high."

One brake on the growth of casinos is the availability of financing. Peter R. Tyson, a partner in the accounting firm of Laventhol & Horwath, says that "despite the remarkable initial success of the casino hotels in Atlantic City, most conventional long-term financial institutions still remain reluctant to finance gaming projects."

In the firm's national survey of commercial banks, insurance companies, pension funds, investment banks and savings and loan associations, 86 percent of the respondents said that casino gaming was here to stay; 68 percent rated it as socially acceptable entertainment; 56 percent said it provides economic benefits to the community; but only 26 percent thought it could be adequately monitored and controlled. "We know that in its present form, the industry can be controlled and monitored as well as any business," says Tyson.

The growing respectability of the gaming industry has been recognized by several brokerage houses that now recommend casino stock as a good investment for any well-rounded portfolio. But one firm cautions: "The critical variable for investors confronted with investment opportunities in the gaming industry remains the quality of a company's management."

Despite the obvious benefits of gambling, states and cities are taking no chances. Both Florida and New York were considering casino bills at about the same time as New Jersey, but neither of them has made the move yet.

The operators of the three casinos now open in Atlantic City are optimistic about the future and say they are not worried about more competition. Alfred J. Cade, senior vice president of the Boardwalk Regency, says the advertising for new casinos will help bring business to the others. "It has a shopping-center effect. The increased number of casinos will attract more people. I think Atlantic City has potentially more to offer than Las Vegas in terms of variety," he says. "It has a racetrack and the beach and is close to major cities."

The proximity of Atlantic City to major cities has left its casinos untouched, while those in Nevada have felt the pinch resulting from high gas prices and long driving distances. With only three casinos operating so far and 37 million adults living within 300 miles of the city, casino executives and securities analysts think it's a safe bet that the resort's run of good luck will outlast the recession.

In May alone, gross winnings for the three casinos came to $51.8 million, and on May 17, Resorts had its best day since it opened two years ago, bringing in $1.2 million.

At one time, state officials worried about saturation and too rapid growth. Many supported a limit on the number of casinos permitted. However, Downey, of the hotel association, like many in the casino business, believes that market forces will set the limit. Says he: "The first casino that doesn't make a profit will be the last to be built here." □

WHO SAID THAT?

"When the Japanese use their techniques on American workers, the changes are astounding. The Japanese Matsushita Company several years ago took over a Motorola plant near Chicago and began to produce Quasar TV sets. The company retained 1,000 on-line workers but dismissed half of the 600 supervisors and managers. Within two years, production doubled and the reject rate of sets dropped from 60 per cent to 4 per cent."

John Naisbitt, senior vice president, Yankelovich, Skelly and White.

"The Democrats are singing our song on tax cuts, and I am willing for them to sing our song. But I ain't gonna let them lead the choir."

—Senate Minority Leader Howard Baker, Jr. (R. Tenn.

"At a 20 per cent inflation rate, an ice cream cone in 20 years would cost $99.38. A small McDonald's hamburger would cost $42.40 and a gallon of gasoline would cost $49.95. With all these increases, even a headache remedy, Alka Seltzer, would cost $21.13—and we're all going to need one."

—*J. Peter Grace, president, W. R. Grace & Co.*

"Take hope, America, help is on the way."

—Senator Paul Laxalt (R-Nev.) nominating Ronald Reagan for President.

"Why is it that after four years the treasury can't come up with its own tax proposal now?" asked Representative Willis D. Gradison, Jr. (R-Ohio). "Let me put it to you straight," answered Treasury Secretary G. William Miller. "It would be putting red meat in front of hungry dogs and saying, 'Sit'."

"Politics is like show business. One day you're drinking the wine, and the next day you're picking the grapes."

—Bob Hope

"We do not have a recession in the United States today; half this country is in a depression while the other half is prosperous."

—Felix Rohatyn, senior partner, Lazard Freres & Co.

Waving the Flag For Bike Safety

Jerrold Robinson manages to keep a straight face when he tells you about Dingles—reflective cutouts of cartoon characters that dangle from a string pinned to children's clothing.

"Practically every child in Sweden and Finland wears these things," says Robinson, 56, president of Dimension Weld in Stamford, Conn. "It's dark half the year there. But I was amazed to discover that nobody in the U.S. had ever heard of them."

They have now. Dimension Weld, a subsidiary of Pilgrim Industries, Inc., has sold more than three million Dingles in the past two years, which Robinson calls "a mild success because the potential market is enormous." The cutouts are made of Reflexite, a material with more than 47,000 miniature reflecting prisms packed into each square inch.

"We sell Dingles through parent-teacher associations and scouting groups," says Robinson, "but not through retailers. They don't seem to understand the concept."

That's not true of Cycle Guard, a spin-off of the Dingle made from the same reflective material and sold (for about $5) through bicycle shops. "The idea again comes from Sweden," says Robinson. "It's so obvious, but nobody had thought of it." Cycle Guard is a triangular flag that is attached permanently to the left side of a bicycle; it sticks out 17 inches and simply calls attention to the bike.

Jerrold Robinson: sporting a pennant.

"A driver's attention is naturally focused on oncoming cars," says Robinson. "The Cycle Guard attracts a driver's eye and gives the cyclist a wider berth in which to operate."

But isn't it like waving a red flag at a bull? "Well, there are some psycho drivers around," says Robinson, who admits he is afraid to bike to work. "I'm not sure how much it will help, but it certainly can't hurt." About 51,000 or so cyclists agree. That's how many now sport the Cycle Guard.

Major League Mud Slingers

Burns and Catherine Bintliff sell mud. Not the kind you rub on your face to smooth out the wrinkles, but the kind umpires rub on baseballs to roughen up the leather.

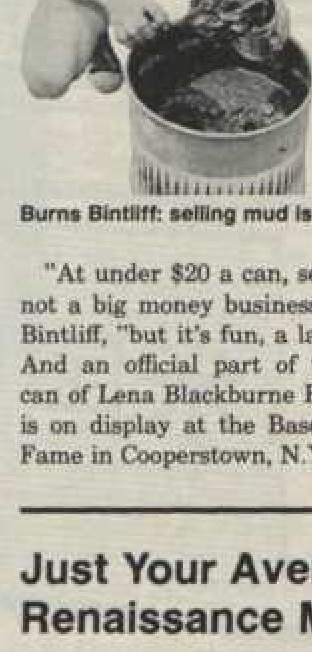
"In the early days of baseball," says Mrs. Bintliff, whose family business is based in Willingboro, N.J., "players used to reach under the grandstands for dirt to rub on new baseballs." But that practice made it easy to scar the ball, dig in a fingernail and throw an illegal pitch, commonly known as a doctored ball.

The situation upset one Russell "Lena" Blackburne, manager of the Chicago White Sox in 1928 and sometime utility player and coach. He happened upon a less abrasive substitute—black mud with the consistency of cold cream that he found in waters near Burlington, N.J.

Blackburne, whose talents as a player are not chronicled in the record books, experimented with the mud. Exactly what he did is a family secret, but the resulting product was sold to American League teams in 1938. "Naturally," says Mrs. Bintliff, "he didn't offer the mud to the National League, not at first, anyway."

The boycott ended a few years later, and today a mud-rubbing ritual takes place before all major league games. An umpire takes five dozen new baseballs into a room under the stands, locks the door and rubs on the mud, which, despite its color, leaves no stain on the balls while dulling the slickness of the new leather.

Blackburne died without heirs in 1968, leaving the mud and his secret process to his friend, John A. Haas. "My father is now 87 years old," says Mrs. Bintliff, 60, his only child, "but he has taught the formula to my husband, who is a carpenter by trade." The Bintliffs store the mud in their garage, which serves as a processing plant. The finished product is packaged in coffee cans, donated by friends and neighbors.



Burns Bintliff: selling mud is fun.

"At under $20 a can, selling mud is not a big money business," says Mrs. Bintliff, "but it's fun, a labor of love." And an official part of the game—a can of Lena Blackburne Rubbing Mud is on display at the Baseball Hall of Fame in Cooperstown, N.Y.

Just Your Average Renaissance Man

Norman Young, 55, paints, sketches, translates hieroglyphics, collects rare books, and sleeps only three hours a night. He also plays a Wurlitzer pipe organ to concentrate, has been fired from seven jobs, and now heads a successful real estate firm in New York.

"I'm just an average kind of guy," he says. "There is nothing that I do or can do that you can't. I taught myself to draw by practicing—endless hours of practice. And that's what anything takes. Dedication and practice."

Young also had an "average" childhood in a cold-water flat in Brooklyn, where his mother supported him and his brother on her salary as a clerk.

"The first job from which I was fired was at ABC," he says. "I was supposed to be a researcher, but I ended up in sales promotion. Management called it incompetence, but I would say it was more a matter of misdirection. The experience was degrading, demoralizing and difficult. I had a family to support at the time."

Being terminated became easier after that. Young explains that he either left or was asked to leave various companies for reasons ranging from corporate policies he found unacceptable to "sheer, unmitigated stupidity on my part for refusing to play the game."

Now, as president and chairman of the board of Neighborhood Realty Group USA, Young is finished with being fired. He's the boss.

Smooth Sailing In Homemade Boats

When he got out of the Australian Royal Navy in 1952—where he was an accountant—Bruce Roberts bought a 12-foot racing skiff to learn how to sail. "With a boat like that you either learn to sail right or you spend a lot of time in the water," he says today.

After mastering the art of keeping dry, Roberts began building small boats, and in 1961 he launched a boatyard in his native Brisbane. While building and sailing made good headway, the boatyard business hit the cash-flow doldrums, forcing Roberts to sell the operation.

He found a new career in marketing, but spent his nights developing plans for a do-it-yourself fiberglass boat, even though every boat builder worth his salt told him that it couldn't be done.

Bruce Roberts: collecting all the checks.

Roberts, 45, persevered until he had a plan that details the tedious and time-consuming process of molding fiberglass section by section.

In 1968, the boatyard Roberts had sold was again up on the blocks. He bought it back and began marketing his build-it-yourself plan for a 25-foot fiberglass boat. His efforts coincided with a boomlet in backyard boat building and attracted a major U.S. supplier of building kits, Clark Craft Company of Tonawanda, N.Y. The firm urged him to set up shop in America, but U.S. immigration restrictions steered him first to Canada, where he opened an office in Vancouver, British Columbia, in 1974.

While there, he pioneered the concept of home-built steel hulls because the price of the petrochemicals needed to make fiberglass had been blown out of the water by the Arab oil embargo. "The plans for steel hulls are about 45 percent of my business now," says Roberts, who moved to Newport Beach, Calif., in 1976. "Anyone who can weld can build a steel boat. It's like putting a box together."

It may not be quite that simple, but Roberts has sold 12,000 sets of plans for steel and fiberglass boats. His plans range in price from $288 for a 20-foot sloop to $1,958 for a 70-foot ketch.

In a business in which few others have managed to stay afloat, Roberts says he owes his success to marketing—"it's made me a millionaire."

The recession has dented boat sales, "but sales of plans are doing very well; I open the mail in the morning, and all the checks fall out."

Keep On Truckin'

Marie Garland: coping with chauvinists.

When Marie Tarvin Garland bought a local freight delivery service in Texas 11 years ago, she started with a very used Chevy van, a borrowed desk, one customer and no previous experience.

"I had to cope with my share of male chauvinists, particularly at the banks," she recalls. "It simply took a while for people to get over the shock of a woman in the delivery business."

It took more than just a while for Garland, now 36, to get her business out of the red. "In the beginning," she says, "my main source of income came from a bar I owned and operated, although only after working hours." Her first month's sales in the freight business came to exactly $54.75; she lost $4,000 in the first year.

"I did a lot of telephone soliciting," she says, "and in this business word of mouth is very important. We got good recommendations. The air-freight forwarding companies started using us after two years, so I was able to buy a second company and give up the bar."

Today Garland heads an eight-company complex based in El Paso, Texas, and operating in Arkansas and Arizona as well. Annual revenues are about $2.75 million, generated by a fleet of more than 65 vehicles.

Although her business nearly doubled in size last year, Garland is beginning to feel the recession. "Business is still good," she says, "but we've seen a marked increase in slow payments."

Still, with clients like Continental and American Airlines, Emery Air Freight, the U.S. Postal Service, RCA and Avon, Garland and her 100 employees—including 40 women—expect to ride out the recession smoothly. □

Riding the Wind

PHOTO: JOSEPH F. VIESTI—FOCUS ON SPORTS

Outside the sailplane cockpit, the temperature dropped to 90 degrees below zero. Inside the cramped cockpit, a layer of frost coated the glass and metal. To see out, William S. Ivans, now the president and chief executive officer of COHU, Inc., of San Diego, an electronics manufacturer, scraped the surface of his triple-thick insulated windows with a piece of wood.

Nothing separated Ivans from the cruel peaks of Mt. Whitney in California's Sierra Nevadas except a thin skin of fiberglass. But Ivans didn't seem to mind; all his energy was focused on his search for the perfect wave.

That day—Dec. 10, 1950—he found it. Soaring up into the stratosphere to 42,100 feet above sea level, Ivans set a new world altitude record.

"It was a very, very smooth ride," he recalls, "but fast. The rate of climb on

Soaring enthusiasts search for the perfect wave alone and in pairs; here, they're flying high over the rolling hills of New England.

PHOTO: JOHN G. ZIMMERMAN

my flight recorder was faster than 2,500 feet a minute at some points. It was a real elevator. In fact, an elevator doesn't go nearly that fast. An express elevator in an office building goes up about 800 feet a minute."

Ivans's altitude record stood for 11 years. When he set it, he had had a glider pilot's license for only three years. Wave flying was new when Ivans soared to record heights. This kind of lift comes from riding winds of great force that bounce off mountain chains, fall to earth and ricochet or rebound in an undulating, wave pattern. You find the best in the West.

"Wave flying was interesting, and it was fun," he says, "especially when I set the record 30 years ago, because no one knew much about it. Now everybody has learned a lot since. And once you've set a world record, you know, you'd like to set a few new ones—like speed or distance."

Cornelia M. Yoder, thirtyish, of Vestal, N.Y., would understand that ambition. She's a world record holder, too, the round-trip distance record for women. On April 5, 1980, she flew an ASW-19 sailplane 637 miles from Port Matilda, Pa., to North Tazewell, Va., and back in nine hours.

What does she like about soaring? "All of it," she says. "Sometimes I like to fly in cross-country competition. Sometimes for world records. But I also like to fly around lazily and just enjoy the scenery."

YODER'S RECORD was set by ridge soaring. When the wind blows against a chain of hills or a ridge line, the air is deflected upward. This creates lift on the windward or upwind side of the ridges. Sailplanes can fly back and forth along this narrow band of rising air for hours.

"The day I flew there was a steady 25-knot wind blowing from the northwest against the Alleghenies. Most of the time I was just a few hundred feet above the ridge on the windward side. The ridge isn't continuous from Pennsylvania through Virginia. There are some gaps you have to cross. That's where you have to latch on to the rising air in a thermal."

Yoder, a staff programmer with IBM, took her first ride in a sailplane at Sayre, Pa. When she landed, after a 30-minute flight, her first question was: "Where do I sign up for lessons?"

Ideally that would mean Elmira, N.Y., the birthplace of soaring in the United States. The terrain there is almost a dead ringer for the Wasserkuppe mountain region, a famous soaring center in West Germany.

Only 24 pilots competed in the first national meet in Elmira in 1930. Then it was mostly gliding—coasting down into the wind after launching from the top of the hill. Today, tow planes haul the sailplanes up to about 2,000 feet and cut them loose.

It wasn't until 1938 that a flight from Wichita Falls, Tex., to Tulsa, Okla., dramatically demonstrated how to soar using the lift from the rising warm air in thermal updrafts. That accomplishment opened up all of America to soaring. You no longer needed hills to enjoy the sport.

TODAY, nearly 20,000 Americans hold glider pilot licenses. In 1974, 15,000 did. Paul A. Schweizer, chief executive officer of Elmira-based Schweizer Aircraft Corporation, estimates that the U.S. sailplane fleet grows by about 250 a year, including about 100 imports. His graceful products have opened new vistas for many Americans.

"I think this is a wonderful country we have here," says boatmaker Clarence C. "Bill" Martin of Pascagoula, Miss. "And," he adds, "I love to look at it." Preferably while in the SZDFOKA 4, a Polish-built sailplane that he and a friend share. "You've got a fantastic seat up there," he says.

Martin, 50, general manager of Gulf Fiberglass Boats, Inc., a division of Plastic Industries, Inc., also likes acrobatics. "You can do loops, rolls, spins—almost anything you can do in a power plane," he says. "A sailplane is a tremendously developed machine. If I put the nose down a bit, I can do 160 knots.

"Even though they're extremely light—about 550 pounds for the plane I fly—these machines are designed for very high stress. They're built stronger than a fighter plane. They're stressed for eight G's. That means if you put a sailplane into a dive and pulled out sharply, the wings would stay on even if the stress equaled eight times the force of gravity."

The lure of acrobatics, however, is rarely the stimulus to take up soaring. Her husband George was on a business trip when Gwyn V. Gordon decided to take a ride in a sailplane.

"My husband and I are backpackers and hikers," she explains, "and we often looked up and saw sailplanes circling in the sky, like eagles. It looked like fun." But once off the ground at the Aspen, Colo., airport, something else struck her—a feeling of "Look, Ma, no hands!"

"I was familiar with powered planes," she says, "so what was most amazing to me was discovering that you didn't need an engine. It was unbelievable, the force that's up there, force I never dreamed existed. We usually think of it in terms of wind, but vertical updrafts have incredible power."

Gordon, 30, and her husband operate the High Alpine, a restaurant at Snowmass, near Aspen. "It's beautiful, soaring in this area," she says. "I like flying cross-country best. It's like crossing a pond on stepping stones. You fly from thermal to thermal to gain altitude as you head in the direction of your destination."

Gordon has flown in national meets, finishing 14th in a field of 60 last time, though she had been flying sailplanes only three years. Many sailplane pilots have had previous experience.

Wilbur H. "Wib" Cramblet, Jr., is a former Air Force fighter pilot. He flew P-47's in World War II. Now he's manager of Weirton Steel Mill, a division of National Steel Corporation, in Weirton, W. Va. Twelve years ago, he went to the renowned Schweizer Flying School in Elmira to learn to soar. "I had seen a few sailplanes," he says, "and it intrigued me."

AREN'T SAILPLANES a little tame after a P-47 Thunderbolt? "No," he says, "they're a challenge. A lot of us call the sailplane a great humility machine. Around here, we fly by solar power, the lift off the warmer surfaces of the earth—shopping center parking lots, freshly plowed dark ground, highway interchanges.

"Cumulus clouds are signs of thermals. They form at the top of thermals. But you have to catch thermals when they're starting to build up. They last only about 20 minutes. Now, if you get towed up 2,000 feet and don't find any lift, you're back on the ground in 30 minutes. Of course, you do have a little time to hunt for lift. A sailplane has a glide ratio of maybe 38 to 1. So for every foot of altitude you have, you can glide 38 feet."

Cramblet, 58, soars nearly every weekend, weather permitting. Also on vacations. Then he and his wife may pile into their motor home and drive to Pennsylvania for some ridge flying for hubby. Doesn't Mrs. Cramblet object to all this soar, soar, soar?

"Uh-huh," he admits cheerfully. "But she puts up with it." □

Gas Tax: The Price Is Right

THE CARTER ADMINISTRATION's new standby gasoline rationing plan would take a minimum of 14 months to implement and $2 billion a year to run, according to Department of Energy estimates. That's too long and too much.

What the country needs instead is a reasonably fair way of coping quickly with the effects of a sudden interruption in oil imports—now at 40 percent of U.S. domestic consumption. The possible causes of such an interruption are so numerous that only the imprudent can assume it won't happen. But most of the programs for alleviating the energy supply problem are long-term, ranging from a few years to decades.

The major virtue of Carter's cumbersome plan is that it uses price as a rationing mechanism. Under his scheme, the government would mail ration "checks" to car owners, who then would exchange them for coupons at banks and post offices. The coupons would allow the holder—any holder—to buy a specified amount of gasoline. They could be bought and sold freely, at whatever price anyone was willing to pay.

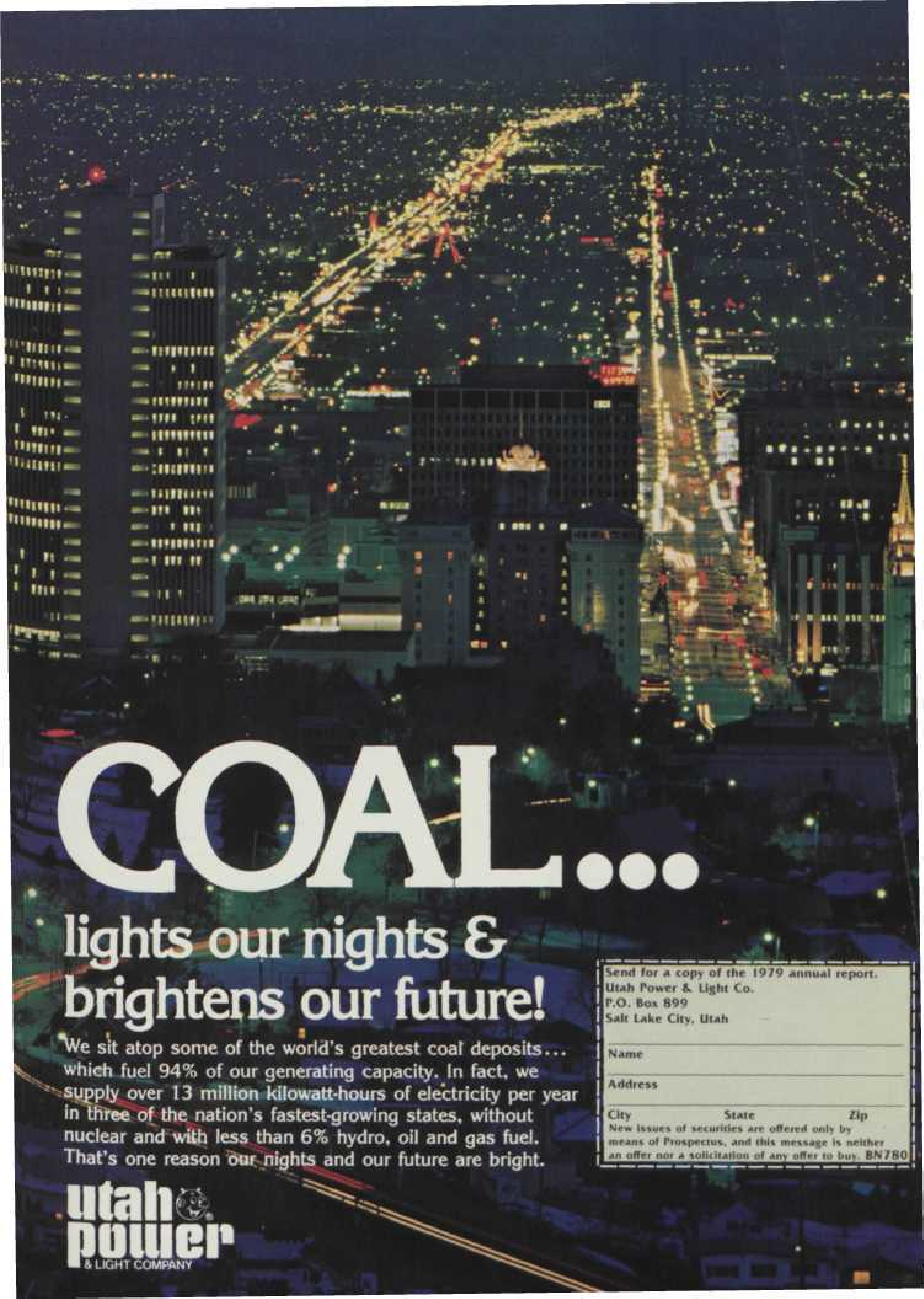
In other words, a driver would be guaranteed the right to buy some gas—40 gallons a month, for example—at an artificially low price of perhaps $1.30 a gallon. Beyond that, he would have to pay the going price, which would reflect the scarcity of supply. Unfortunately, 50,000 bureaucrats would be needed to administer this system, and, incredibly enough, the value of the coupons in circulation each year would exceed the value of the nation's currency. There must be a better way.

Suppose the government simply added a tax to raise the price of gasoline to a level high enough to equate supply and demand, then rebated the tax to the consumer. No coupons or checks required. Refunds could be handled through the tax system for most drivers, with special arrangements for those who do not file a return. The amount of the rebate would provide protection for the poor and hardship cases. The plan could be carried out in a matter of days, rather than months. And the cost would be minimal.

A bill to authorize this kind of standby rationing program has been introduced by Senator J. Bennett Johnston, Jr. (D-La.). Congress should give the principle serious consideration. The American economy has been "rescued" twice before (in 1974 and last summer) from oil supply emergencies by the government's inept allocation programs. Based on those experiences, we're not sure the country could survive such salvation a third time.

Remember the FTC?

IN LOOKING BACK AT the long struggle between the Federal Trade Commission and its critics, Chairman Michael Pertschuk observed that it "changes not what we do, so much as it alters how we can go about doing it." Pertschuk's remark refers to some procedural limits that Congress put on the FTC. But it is also a good description of a more fundamental change. The FTC had come to symbolize the "activist" regulatory spirit of the '60s. It was an attitude that held ends more important than means, and regulators superior to legislators. When Congress briefly shut down the agency, it fired a warning shot across the bow of the entire regulatory bureaucracy. That shot may have done little damage, but it was seen, heard and noted for future reference. A full broadside is rarely necessary. □


COAL...
lights our nights &
brightens our future!
We sit atop some of the world's greatest coal deposits... which fuel 94% of our generating capacity. In fact, we supply over 13 million kilowatt-hours of electricity per year in three of the nation's fastest-growing states, without nuclear and with less than 6% hydro, oil and gas fuel. That's one reason our nights and our future are bright.
utah power
& LIGHT COMPANY
Send for a copy of the 1979 annual report.
Utah Power & Light Co.
P.O. Box 899
Salt Lake City, Utah
Name
Address
City State Zip
New issues of securities are offered only by means of Prospectus, and this message is neither an offer nor a solicitation of any offer to buy. BN780